

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2004



Prepared by:

Department of Finance
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www.rockinghamcountyva.gov

COUNTY OF ROCKINGHAM, VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2004

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of transmittal, County Administrator	1 and 2
Letter of transmittal, Director of Finance	3 – 8
Directory of principal officials	9
Organizational chart	10
Certificate of Achievement for Excellence in Financial Reporting – 2003	11

FINANCIAL SECTION

Independent Auditors' Report	12 and 13
Management's Discussion and Analysis	14 – 25
<i>Basic Financial Statements</i>	
Statement of net assets	26
Statement of activities	27 and 28
Balance sheet - governmental funds	29
Reconciliation of the balance sheet of the governmental funds to the statement of net assets	30
Statement of revenues, expenditures, and changes in fund balances - governmental funds	31
Reconciliation of the statement of revenues, expenditures, and changes in fund balances of governmental funds to the statement of activities	32
Statement of revenues, expenditures, and changes in fund balance - budget and actual - general fund	33
Statement of net assets - proprietary funds	34
Statement of revenues, expenses, and changes in fund net assets - proprietary funds	35
Statement of cash flows - proprietary funds	36 and 37
Statement of fiduciary net assets - fiduciary funds	38
Notes to financial statements	39 – 69
<i>Required Supplementary Information</i>	
Schedule of funding progress	70

Supplementary Information

Combining balance sheet - nonmajor governmental funds	71
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	72
Combining statement of net assets - nonmajor proprietary funds	73
Combining statement of revenues, expenses, and changes in fund net assets - nonmajor proprietary funds	74
Statement of cash flows - nonmajor proprietary funds	75
Combining statement of fiduciary net assets - fiduciary funds	76
Combining statement of changes in assets and liabilities - all agency funds	77 - 79
Combining balance sheet - discretely presented component unit - School Board	80
Combining statement of revenues, expenditures, and changes in fund balances - discretely presented component unit - School Board	81
Combining balance sheet - nonmajor funds of the discretely presented component unit - School Board	82
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor funds of the discretely presented component unit - School Board	83
Balance sheet - discretely presented component unit - Harrisonburg - Rockingham Social Services District	84
Statement of revenues, expenditures, and changes in fund balance - discretely presented component unit - Harrisonburg - Rockingham Social Services District	85

Supplemental Schedules

Governmental funds and discretely presented component units - schedule of revenues - budget and actual	86 - 94
Governmental funds and discretely presented component units - schedule of expenditures - budget and actual	95 - 100

STATISTICAL SECTION

Tables

Governmental revenues by source - last ten fiscal years	101
Governmental expenditures by function - last ten fiscal years	102
Assessed valuation of all taxable property - last ten fiscal years	103
Property tax rates per \$100 of assessed value - direct and overlapping governments - last ten fiscal years	104
Property tax levies and collections - last ten fiscal years	105
Ratio of net general bonded debt to assessed value and net bonded debt per capita - last ten fiscal years	106
Percent of annual debt service expenditures for general bonded debt to total general expenditures - last ten fiscal years	107
Direct and overlapping bonded debt - last ten fiscal years	108
Revenue bond coverage - Water and Sewer Fund - last ten fiscal years	109
Principal taxpayers	110
Property value, construction, and bank deposits - last ten calendar years	111
Demographic statistics - last ten calendar years	112
Miscellaneous statistics	113

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	114 – 118
Note to Schedule of Expenditures of Federal Awards	119 and 120
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	121 and 122
Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	123 and 124
Schedule of Findings and Questioned Costs	125 and 126
Summary Schedule of Prior Audit Findings	127





JOSEPH S. PAXTON
County Administrator



ROCKINGHAM COUNTY

BOARD OF SUPERVISORS

PABLO CUEVAS

Election District No. 1

CHARLES W. AHREND

Election District No. 2

DEE E. FLOYD

Election District No. 3

WILLIAM B. KYGER, JR.

Election District No. 4

MICHAEL A. BREEDEN

Election District No. 5

November 17, 2004

Board of Supervisors
County of Rockingham
20 East Gay Street
Harrisonburg, VA 22802

Gentlemen:

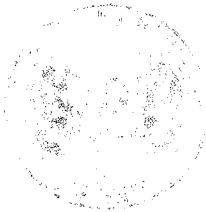
It is my pleasure to submit to you the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2004. This report has been prepared in accordance with Section 15.2-2503 of the *Code of Virginia*, 1950, as amended. Upon completing your review of this introductory section, you are encouraged to turn to the narrative introduction, overview, and analysis found in management's discussion and analysis (MD&A) for a more detailed overview of the County's financial position.

The State's budget difficulties in FY2004 continued to shift responsibilities to localities, particularly in areas such as education, public safety, and social services. The ongoing war on terrorism continues to be a focus of attention for federal, state, and local governments with the County's particular attention being placed on public safety and emergency preparedness issues.

The Board authorized expending \$13.6 million to renovate the Elkton and Montevideo Middle Schools. The Board also approved funding for the design of renovations to the J. Frank Hillyard and Wilbur S. Pence Middle Schools. Further discussions with the School Board continue as the County addresses growth issues.

Other significant events and actions during the period include:

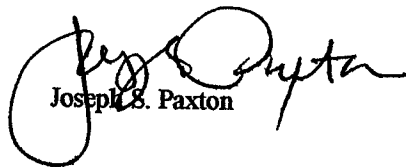
- Work commenced to renovate the District Courts building which will provide an additional courtroom, office space, and an improved layout.
- Completed the design for the first phase development of the County's Technology and Industrial Park on Route 11 North.
- Completed the renovation of the former IGA supermarket at the Plains District Community Center in Timberville.
- Completed an upgrade of the County's financial software system.
- Completed replacement of real estate, personal property, land use and reassessment software with an in-house developed Windows-based system.
- Adopted the "Comprehensive Plan for 2020 and Beyond".

- 
- Authorized the review and amendment to the ordinance regulating the subdivision of property.
 - Authorized the construction of a satellite refuse collection and recycling center in the Town of Grottoes to serve southeastern Rockingham County.
 - Began construction of the Rockingham-Harrisonburg Emergency Communications Center located on the 5th floor of Harrison Plaza, in partnership with the City of Harrisonburg.
 - Began construction on the Route 11 North sewer project.
 - Completed design for a new sewer pump station, gravity lines, and forcemain in the Lakewood subdivision area to replace the overloaded and aging Massanetta Springs and Lakewood pump stations and forcemains.
 - Budgeted for design of Phase III (piggyback) of the landfill expansion.
 - Completed design of the Spotswood High School waterline extension and storage tank.
 - Completed installation of generator back-up system at the Three Springs water treatment plant.
 - Designed and constructed water and sewer lines to serve the Wal-Mart Distribution Center expected to open in 2005.
 - Initiated the re-design of the County's website.
 - Installed equipment for video arraignments between the courthouse and jail.

The Government Finance Officers Association of the United States and Canada has awarded the County a Certificate of Achievement for Excellence in Financial Reporting for the twenty-second consecutive year. This award certifies our continuing efforts to achieve the highest standards in government accounting and financial reporting.

On behalf of the County's management team, I extend our sincerest appreciation to the members of the Board of Supervisors for the confidence expressed and resources rendered to us throughout the year, which allowed for the implementation of the Board's policies. We look forward to continuing to work together with the Board to provide efficient, effective services for the citizens of Rockingham County.

Respectfully submitted,



Joseph S. Paxton



JOSEPH S. PAXTON
County Administrator

ROCKINGHAM COUNTY

BOARD OF SUPERVISORS

PABLO CUEVAS

Election District No. 1

CHARLES W. AHREND

Election District No. 2

DEE E. FLOYD

Election District No. 3

WILLIAM B. KYGER, JR.

Election District No. 4

MICHAEL A. BREEDEN

Election District No. 5

November 17, 2004

To the Board of Supervisors, County Administrator,
the Citizens of the County of Rockingham, and
the Financial Community:

The Finance Department is pleased to present the County of Rockingham's (the County) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. The report is designed to present fairly the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County in all material respects, and to demonstrate compliance with applicable finance-related legal and contractual provisions. The report adheres to the principle of full disclosure so that the reader may gain the maximum understanding of the County's financial affairs.

The Finance Department has prepared this report in accordance with the following standards:

- Accounting principles generally accepted in the United States of America, which are uniform minimum standards and guidelines for financial accounting and reporting in the United States of America (GAAP);
- Governmental Accounting Standards Board (GASB) statements, including GASB Statement No. 34 and;
- Uniform financial reporting standards for counties, cities, and towns issued by the Commonwealth of Virginia's Auditor of Public Accounts (APA).

The responsibility for the accuracy, completeness and fairness of the data presented in the report, including all disclosures, rests with the County.

REPORT FORMAT

This CAFR is presented in four sections: introductory, financial, statistical, and compliance. The introductory section includes the County Administrator's transmittal letter, this transmittal letter, a directory of principal officials, the organizational chart, and a certificate of achievement for excellence in financial reporting for 2003. The financial section includes the independent auditors' report; Management's Discussion and Analysis (MD&A); government-wide and major fund financial statements; notes to financial statements; general fund budgetary comparison schedules; and required supplementary information for public employee retirement systems. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The compliance section contains information on the County's programs that are financed by federal and state funds. This information is required by the Single Audit Act Amendments of 1996, and by the APA.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of the MD&A. This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

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FINANCIAL REPORTING ENTITY

This report includes the financial activities of the County of Rockingham (the primary government) which are controlled by the Board of Supervisors (Board), as well as the financial activities of the County's component units. Component units are legally separate entities for which the primary government is financially accountable and, therefore, are included in the primary government's CAFR.

The County provides a full range of governmental services including law enforcement, emergency medical response, and fire protection; judicial services; correctional facilities; disposal of solid waste; utility services; planning and zoning; and recreational and cultural activities.

The County provides courthouse and jail facilities, as well as the services of the Sheriff, Commonwealth Attorney, and Clerk of the Circuit Court for the City of Harrisonburg (City). The total costs of these services are presented in this report and supporting schedules. The City reimburses the County for one-half of the net local cost incurred in the provision of these services.

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position and results of operations from those of the primary government. The Rockingham County School Board is a legally separate entity and is reported as a discretely presented component unit. The County has consolidated social services operations with the City into the Harrisonburg-Rockingham Social Services District (the District). The District is also a separate legal entity and is a discretely presented component unit in the government-wide financial statements.

The School, School Textbook and School Cafeteria Funds are included in the supporting statistical schedules in this report since the Board is required to approve the budget for those operations. The County believes that the omission of these funds from the Statistical Section would not give the reader an accurate depiction of the overall results of the operations of County government.

Additional information on the financial reporting entity can be found in Note 1.A. in the notes to the financial statements.

INDEPENDENT AUDIT

Section 15.2-2511 of the *Code of Virginia*, 1950, as amended, requires an annual audit of the books, financial records, and transactions of all departments and agencies of the County by an independent auditor.

The auditor is required to examine the funds of the County in accordance with auditing standards generally accepted in the United States of America and the standards set forth in the Government Accountability Office's *Government Auditing Standards*. The independent auditors' report is presented as the first component of the financial section of this report.

In addition, the auditor must conduct the compliance examinations required by the Single Audit Act Amendments of 1996, the related U.S. Office of Management and Budget's Circular A-133, and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. These reports are available within the compliance section of this report.

The Board selected the firm of PBGH, LLP, Harrisonburg, Virginia, to perform these audit services. Their reports are presented in the Financial Section and the Compliance Section of this report.

ORGANIZATION OF GOVERNMENT

The County of Rockingham was established in 1778 by an act of the Virginia General Assembly, and is organized under the traditional form of County government. Under this form, the County's governmental operations are directed by a five member Board of Supervisors who are elected by election districts. The Board is responsible for establishing the policies and ordinances that provide the direction for the government and for approving the annual budget. It has exercised its authority under Virginia law to appoint a County Administrator. The County Administrator serves at the pleasure of the Board and is responsible for carrying out the policies and ordinances of the County, and for overseeing the day-to-day operations of the government's departments.

ECONOMIC CONDITION AND OUTLOOK

Rockingham County, Virginia, located in the heart of the Shenandoah Valley, is the third largest county in Virginia in land area with 853.65 square miles and an estimated population of 70,400. The independent City of Harrisonburg, with an estimated population of 42,500 serves as the County seat, and is the largest city in western Virginia between the Roanoke and the Washington, D.C. metropolitan areas. The County/City area serves as the hub for commercial and industrial activity in the region.

The County continues to enjoy a strong, diverse local economy and local indicators point to continued stability. The County has a varied manufacturing, industrial, services, and higher education base that adds to the relative stability of the unemployment rate (currently 2.4%). Major industries with headquarters or divisions located within the County's boundaries include a chemical manufacturer, brewery, printer, food service, retail distributors, four-season resort, and several poultry processors. Higher education also has a major presence within the area with a state university, private university, and a private college with a combined full-time enrollment of over 18,000 students. In addition, Wal-Mart has started the construction of a regional distribution facility in the County that is anticipated to open in 2005 and will employ up to 1,000 people.

According to the most recent report published in 2002 by the U.S. Census of Agriculture, Rockingham County is now 39th in the country in market value of total agricultural products sold and 2nd in the country in market value of poultry and poultry products sold. Rockingham County's total cash receipts from agricultural production ranks first in the state (\$446 million) and exceeds the combined totals of the next four ranking counties.

The County also experienced a steady increase in building activity for fiscal year 2004. Over \$327 million was authorized for new construction and renovations in the County for this time period. This includes seven projects, each of which involved an investment of more than four million dollars. The firms that authorized these projects include Adolph Coors Co.; Wal-Mart Stores, Inc.; Great Eastern Mgmt.; Morningstar Foods, Inc.; Merck & Co., Inc.; Sysco Food Services of VA, Inc.; and Banta Corporation.

In April 2004, the County completed work on its "Comprehensive Plan for 2020 and Beyond" which will guide the Board of Supervisors in its actions related to land use that promotes sustained economic development for the community.

FINANCIAL CONDITION

The County government is in very sound financial condition as demonstrated by the financial statements and schedules included in this report. Within the context of a fiscally prudent budget, the County provided the basic governmental services, achieved many of its program goals, and enhanced the quality of life in the County. The County's cash and investment positions were strong throughout the fiscal year.

As the state and national economy slowed, the County experienced budget pressures. Keeping existing programs funded, maintaining competitive salaries for public employees, and addressing expanded program needs of the community in an uncertain economy requires careful budgeting. The County's policy of phasing in capital investment to minimize the impact on debt service while meeting local needs is a prudent measure. Increased operating and capital support for the School Board to fund expanded schools and educational initiatives remains the County's major budget challenge. The County believes that the overall state of its public facilities is good, with capital improvements aimed at maintaining and improving these facilities.

Over the last ten years, the County's property tax base has grown an average of 6.9% per year while the pace of expenditures also continued to increase. The County has been able to maintain its fiscal strength as the result of the Board's strong, conservative fiscal management. The County uses "pay-as-you-go" financing for many capital projects. At the end of fiscal year 2004, the County's debt to tax base ratio was just 0.72%. The County's financial philosophy encourages the use of General Fund reserves to fund capital projects rather than using such reserves to fund ongoing operating programs.

Additional information on the County's financial status can be found in the MD&A of this report.

GENERAL GOVERNMENT FUNCTIONS

The following table shows that overall real property assessed values have increased by approximately \$1.5 billion since 1994, including a 3.4% increase from 2002 to 2003. Real property taxes are based on assessments as of January 1st of each year and are due in two payments. The first half of the real estate tax is due on June 5th and the second half of the tax is due on December 5th.

CHANGE IN ASSESSED LAND VALUE OF REAL PROPERTY

Tax Year (1)	Residential Assessed Value	Residential Percent Increase (Decrease)	Industrial/ Commercial Assessed Value	Industrial Commercial Percent Increase (Decrease)	Total Taxable Assessed Value	Total Percent Increase (Decrease)
1994	\$ 1,634,795,325	10.3%	\$ 749,049,135	7.4%	\$ 2,383,844,460	9.4%
1995	1,690,762,840	3.4	755,309,630	0.8	2,446,072,470	2.6
1996	1,671,354,236	(1.1)	973,053,222	28.8	2,644,407,458	8.1
1997	1,884,451,178	12.7	1,106,177,848	13.7	2,990,629,026	13.1
1998	2,030,118,900	7.7	1,236,931,709	11.8	3,267,050,609	9.2
1999	2,101,026,485	3.5	1,273,885,100	3.0	3,374,911,585	3.3
2000	2,166,064,895	3.1	1,011,393,355	(20.6)	3,177,458,250	(5.9)
2001	2,391,599,440	10.4	1,059,130,705	4.7	3,450,730,145	8.6
2002	2,604,430,300	8.9	1,136,596,330	7.3	3,741,026,630	8.4
2003	2,687,237,120	3.2	1,180,380,943	3.9	3,867,618,063	3.4

(1) The County's tax year is on a calendar year with property assessed as of January 1st of each year.

BUDGETARY ACCOUNTING AND INTERNAL CONTROLS

State law requires the County Administrator to submit a balanced budget to the Board no later than April 15th of each year. Each department and agency prepares its budget request for review and amendment by the County Administrator prior to inclusion in the County's general operating budget. The School Board and Social Services Administration Board prepare their budgets and transmit them to the County Administrator. The County Administrator then submits his recommendation to the Board's Finance Committee for consideration and recommendation to the full Board.

The Board establishes a time and place for a public hearing on the budget. A hearing must be held at least seven days prior to the adoption of the budget. Except for the School's budget, which may only be increased or decreased by major category or as a whole, the Board may insert new items of expenditure or may increase, decrease, or remove items of expenditure (other than debt service or other legal requirements). On April 23, 2003, the Board approved the budget for fiscal year 2004. During fiscal year 2004, as is customary, the Board also approved supplemental budget amendments.

As a management tool, budgetary control is maintained in the General Fund at the departmental level and by the encumbrance of estimated purchase amounts before the release of purchase orders to vendors. Management can transfer appropriations at the department level without approval from the Board. Board approval, however, is required to increase function totals. In the Capital Projects Fund, the level of control is at the project level. With the School's budget, the level of control is at the total appropriation level. The Social Services Administrative Board can transfer appropriations at the department level without approval from the Board.

County management is responsible for establishing and maintaining internal controls designed to ensure that the assets of the County are protected from loss, theft or misuse. Internal controls are intended to provide reasonable, but not absolute, assurance that these objectives are met.

Additional information on budgetary data can be found in Note 1.D. in the notes to the financial statements.

CASH MANAGEMENT

Cash temporarily idle during the year was invested through the County's cash management program, and by the State Non-Arbitrage Pool (SNAP), Virginia's Local Government Investment Fund (LGIP) and Trusco Capital Management. All investments have been made in compliance with the Virginia Public Deposits Securities Act. The prime objective in making investment decisions is safety of principal while maximizing the earnings capabilities utilizing a diversity of instruments.

As a part of its cash management program, the County has contracted with SunTrust Bank, its primary investment manager, to insure that all idle funds are invested within the guidelines established in the County's investment policy. Excess funds, above the amount required to be held by the bank, are invested overnight in governmental money market funds to enable the County to take full advantage of idle funds.

A requirement from the Commonwealth to localities that borrow funds through the Virginia Public School Authority (VPSA), and that is included in the capital lease participation certificates, is that the cash management shall be handled through a third party custodial agent; in this case, SNAP, LGIP, and Trusco Capital Management. All funds are held on behalf of the County, in its name, and income generated on the accounts accrue to the County. The third party agent takes possession of the security or collateral on behalf of the County.

Additional information on cash management can be found in Note 2 in the notes to the financial statements.

RISK MANAGEMENT

The County uses a variety of techniques to identify and monitor its risks and exposures for its programs and activities. Ongoing safety programs have been initiated to help prevent losses and to better identify areas that need attention. The County also employs an insurance consultant to periodically review coverage and exposures, and to make recommendations to the Board to ensure that the County assets are appropriately safeguarded.

Additional information on risk management can be found in Note 13 in the notes to the financial statements.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the County a Certificate of Achievement for Excellence in Financial Reporting for the County's CAFR for the 22nd consecutive year. GFOA awards a Certificate to governmental units that exemplify excellence in financial reporting and conform to stringent reporting requirements promulgated by that Association and various authoritative bodies.

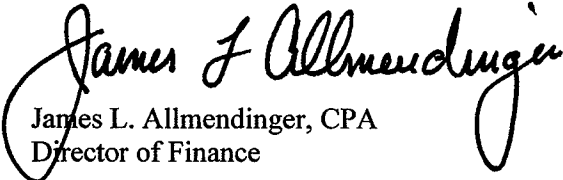
To earn a Certificate of Achievement, a CAFR must tell its financial story clearly, thoroughly, and understandably. The report must be efficiently organized, employ certain standardized terminology and formatting conventions, minimize ambiguities and potentials for misleading inference, enhance understanding of current generally accepted accounting theory, and demonstrate a constructive "spirit of full disclosure."

The Certificate is valid for a period of only one year. The County believes its current CAFR continues to conform to the Certificate of Achievement program requirements and standards. The County is submitting the report to the GFOA to determine its eligibility for another certificate for this current fiscal year.

ACKNOWLEDGEMENTS

The Finance Department expresses its appreciation to County staff that assisted and contributed in the preparation of this report. A special thank you is extended to the Board and the County Administrator for their continued strong leadership and dedicated pursuit of excellence in financial reporting.

Respectfully submitted,


James L. Allmendinger, CPA
Director of Finance

COUNTY OF ROCKINGHAM, VIRGINIA

Directory of Principal Officials
June 30, 2004

Board of Supervisors

Charles W. Ahrend, Chairman
District 2

Pablo Cuevas, Vice-Chairman
District 1

Dee E. Floyd
District 3

William B. Kyger, Jr.
District 4

Michael A. Breeden
District 5

County Administrator

Joseph S. Paxton

School Board

John Myers, Chairman
District 3

Matthew Lohr, Vice-Chairman
District 1

Dennis Stoneburner
District 2

William Gamble
District 4

Dan R. Breeden
District 5

Superintendent of Schools

Dr. John H. Kidd

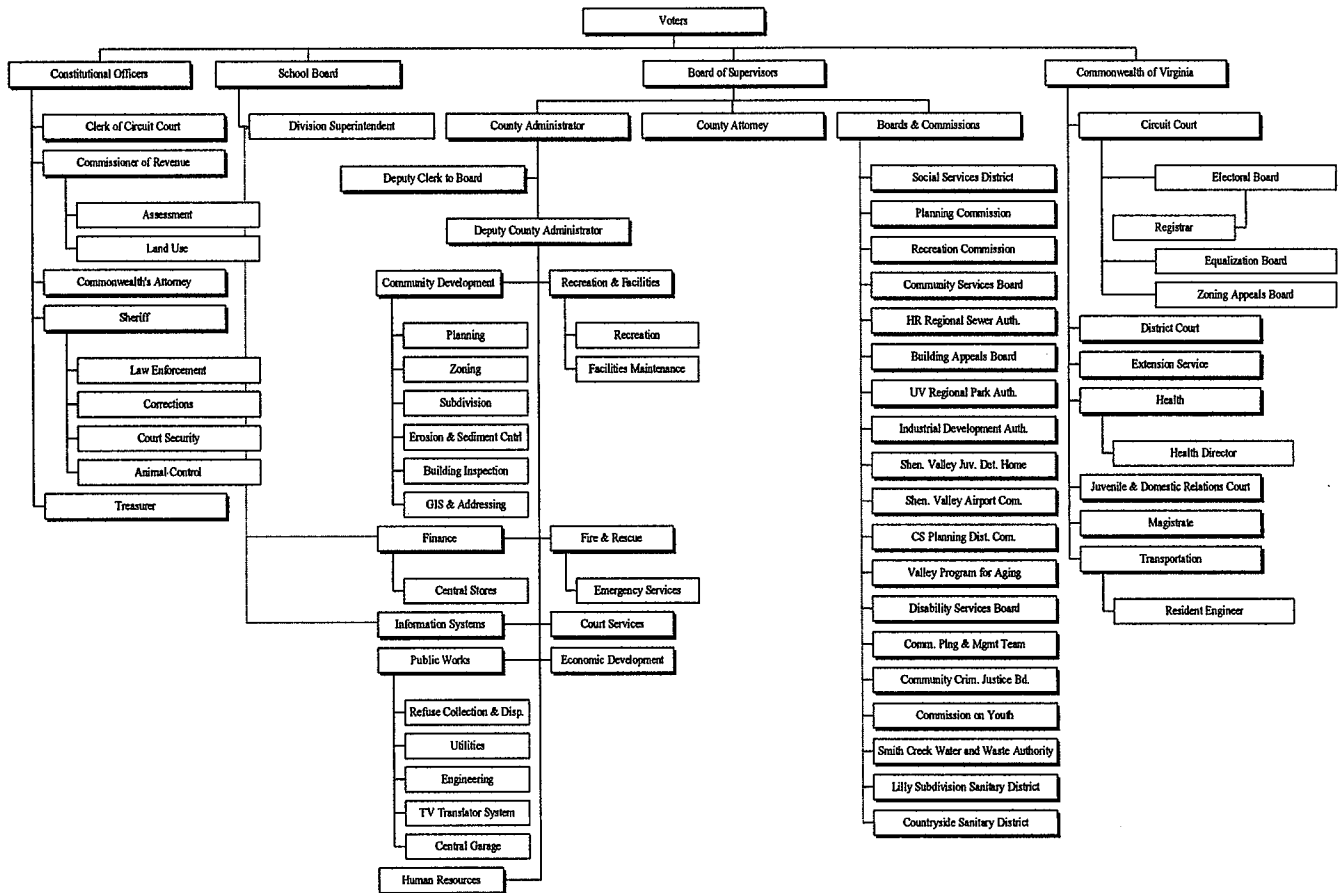
Other Officials

Stephen G. King
G. Chris Brown
Donald D. Driver, Jr.
Richard E. Connellee
Donald W. Farley
L. Todd Garber
Marsha L. Garst
L. Wayne Harper
James L. Allmendinger
Franklin P. O'Byrne
Wendell J. Eberly
Rhonda G. Henderson
Jennifer M. Hoover
Kenneth N. McNett
Stephen N. Riddlebarger
S. Kay Shifflett
Robert A. Symons
William L. Vaughn

Deputy County Administrator
County Attorney
Director of Social Services
Commissioner of the Revenue
Sheriff
Treasurer
Commonwealth Attorney
Clerk of the Circuit Court
Director of Finance
Director of Information Services
Director of Parks and Recreation
Director of Planning
Director of Public Works
Director of Court Services
Director of Human Resources
Registrar
Director of Fire and Rescue
Director of Community Development

COUNTY OF ROCKINGHAM, VIRGINIA
GOVERNMENT ORGANIZATIONAL CHART

JUNE 30, 2004



Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Rockingham,
Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

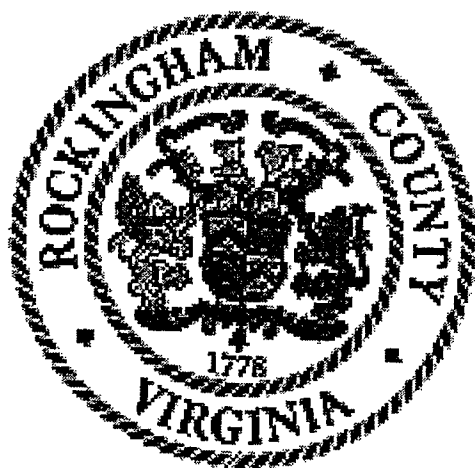


A handwritten signature in black ink, appearing to read "Edward Haney".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director





www.pbgh.com

INDEPENDENT AUDITORS' REPORT

Mensel D. Dean
Gregory W. Geisert
Herman W. Hale
John L. Vincie, III
Keith L. Wampler
Daniel B. Martin
Sean R. O'Connell
Kevin D. Humphries
Bradford R. Jones
Virginia B. Miller
John E. Zigler, Jr.
Michael T. Kennison

To the Honorable Members of the Board of Supervisors
County of Rockingham, Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Rockingham, Virginia, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards and specifications require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Rockingham, Virginia, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2004 on our consideration of the County of Rockingham's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (pages 14 to 25) and the required supplementary information (page 70) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Rockingham, Virginia's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the Table of Contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

PBGH, LLP

Harrisonburg, Virginia
September 22, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Rockingham County's financial performance provides an overall review of the County's financial activities for the year ended June 30, 2004. The intent of this discussion and analysis is to look at the County's financial performance as a whole. Readers should also review the transmittal letters in the Introductory Section of this report and the County's financial statements following this analysis.

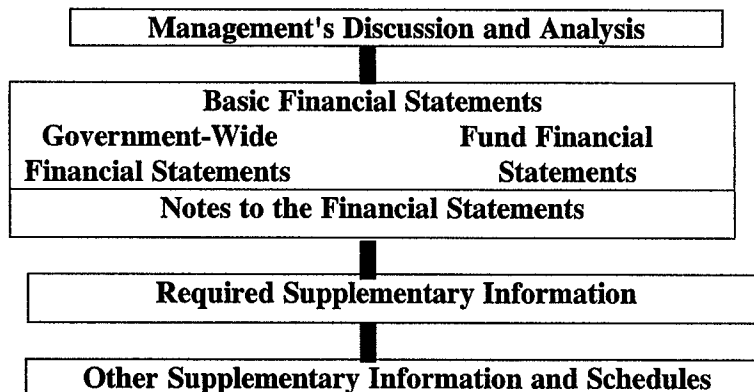
FINANCIAL HIGHLIGHTS

- The General Fund, on a current financial resource basis, reported revenues in excess of expenditures and other financing sources and uses of \$2.1 million.
- On a government-wide basis for governmental activities, the County had expenses net of program revenues of \$60.0 million, which totaled \$2.7 million more than the general revenue and transfers of \$57.3 million.
- The County's total net assets, excluding component units, on a government-wide basis, decreased this fiscal year by \$2.0 million to \$22.4 million at June 30, 2004. Of this amount, there was \$33.5 million invested in the County's capital assets, net of related debt, and a negative \$13.5 million in unrestricted funds as a result of recording the debt for the component unit - School Board within the governmental activities. Debt is recorded within the primary government since the County is legally obligated to make payments for this debt; however, the corresponding assets are reported in the component unit - School Board statements since the School Board holds title to the assets. The School Board's total net assets were \$79.9 million, of which \$71.5 million is invested in capital assets.
- The County's General Fund undesignated balance increased by \$2.6 million, which is very positive since the final budget approved by the Board of Supervisors had anticipated the use of \$8.3 million to meet capital and operational needs.
- The County issued \$5.1 million in general obligation bonds and also borrowed an additional \$8.5 million through the Industrial Development Authority. The proceeds were used to fund School capital improvements.
- Debt service payments totaling \$5.4 million for debt issued by the County on behalf of the School Board have been reclassified to the General Fund from the School Operating Fund of the component unit School Board. Additional information on this reclassification can be found in Note 1 (E) (8) of this report.

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT

This Comprehensive Annual Financial Report consists of four sections: introductory, financial, statistical, and compliance. As the following chart shows, the financial section of this report has four components- *management's discussion and analysis* (this section), the *basic financial statements*, the *required supplementary information* and the *other supplementary information and schedules*.

Components of the Financial Section



GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The government-wide financial statements provide both long-term and short-term information about the County's overall financial status. One of the most important questions that could be asked about the County's financial position is "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the County as a whole and about its activities in a way to address this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes in them. One can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or declining. Other non-financial factors will need to be considered, however, such as changes in the County's property tax base and the condition of the County's facilities, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into the following:

Governmental activities – Most of the County's basic services are reported here: Judicial Administration, Public Safety, Public Works, Health and Social Services, Community Development, Parks, Recreation and Cultural, and General Government Administration. Property taxes, other local taxes and fees, and state and federal grants finance most of these activities.

Business-type activities – The County's Water and Sewer, Solid Waste, and Other Proprietary Fund operations are reported here, as the County charges a fee to customers to help cover all or most of the cost of services provided.

Component units – The County includes two separate legal entities in its report – the Rockingham County School Board, and the Harrisonburg – Rockingham Social Services District. Although legally separate, these component units are important because the County is financially accountable for them and provides a significant portion of the operating and capital funding.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The fund financial statements provide more information about the County's most significant funds – not the County as a whole. The fund financial statements focus on the individual parts of the County government, reporting the County's operations in more detail than the government-wide statements.

The County has three types of funds:

Governmental funds – This fund type includes most of the County's basic services, and focuses on (1) how cash and other financial assets are readily converted to cash flow in and out and (2) on the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

Proprietary funds – This fund type includes services for which the County charges customers a fee, and the fee is to support the majority, if not all, of the cost. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

In fact, the County's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but the fund financial statements provide more detail and additional information, such as cash flows. The County's enterprise funds account for the operation of the County's water and sewer and solid waste programs.

The County uses an internal service fund (the other kind of proprietary fund) to report activities that provide supplies and services for the County's other programs and activities.

Fiduciary funds – The County is the trustee, or fiduciary, for other assets (known as agency funds) that, because of an arrangement, can be used only for designated purposes. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. The County excludes these activities from the County government-wide financial statements because the County cannot use these assets to finance its operations. Agency Funds are custodial funds used to provide accountability of client monies for which the County is custodian.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Statement of Net Assets:

The following table presents the condensed Statements of Net Assets in a comparative format:

Summary Statement of Net Assets as of June 30, 2004 and 2003 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units			
							School Board		Harrisonburg- Rockingham Social Services District	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 37.1	\$ 30.9	\$ 6.3	\$ 3.9	\$ 43.4	\$ 34.8	\$ 23.4	\$ 13.8	\$ 2.7	\$ 2.0
Capital assets	19.9	18.1	25.8	22.1	45.7	40.2	71.5	70.7	0.1	0.1
Total assets	57.0	49.0	32.1	26.0	89.1	75.0	94.9	84.5	2.8	2.1
Other liabilities	3.7	3.0	1.0	0.5	4.7	3.5	13.8	11.1	1.1	0.8
Noncurrent liabilities	51.5	41.5	10.5	5.6	62.0	47.1	1.2	1.4	0.1	0.1
Total liabilities	55.2	44.5	11.5	6.1	66.7	50.6	15.0	12.5	1.2	0.9
Net Assets:										
Invested in capital assets, net of related debt	14.4	12.2	19.1	19.7	33.5	31.9	71.5	70.7	0.1	0.1
Restricted	0.4	0.6	2.0	-	2.4	0.6	7.1	-	-	-
Unrestricted	(13.0)	(8.3)	(0.5)	0.2	(13.5)	(8.1)	1.3	1.3	1.5	1.1
Total net assets	\$ 1.8	\$ 4.5	\$ 20.6	\$ 19.9	\$ 22.4	\$ 24.4	\$ 79.9	\$ 72.0	\$ 1.6	\$ 1.2

The County's combined net assets decreased from \$24.4 million to \$22.4 million primarily due to obtaining an \$8.5 million loan and then appropriating/transferring these funds to the School Board for capital projects. This decrease of \$8.5 million in the County's combined net assets was offset by revenue exceeding expectations and lower than budgeted expenditures. Expenses were consciously limited during the fiscal year due to the tenuous nature of the economy and related revenue sources.

The largest portion of the County's net assets, \$33.5 million, continues to reflect its investment in capital assets (e.g. land, buildings, improvements, machinery and equipment, and construction in progress), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its citizens; consequently, these assets are not readily available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves would not likely be used to liquidate these liabilities.

The unrestricted portion of the County's net assets for the primary government changed from a negative \$8.1 million to a negative \$13.5 million. This negative balance is due to the County financing the necessary capital asset projects of the component unit School Board. Since the County is legally obligated for the retirement of the debt, it is required to record the liability for this financing; however, the capital asset which statutorily is owned by the School Board is recorded with the component unit. Please refer to Note 1(E)(8) of the financial statements for further explanation.

Statement of Activities:

The following table shows the comparative revenue and expenses of the current and prior fiscal years of the governmental and business-type activities and component units:

Changes in Net Assets For the Fiscal Years Ended June 30, 2004 and 2003 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		Component Units			
							School Board		Harrisonburg- Rockingham Social Services District	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Revenues:										
Program revenues:										
Charges for services	\$ 5.3	\$ 4.6	\$ 5.6	\$ 4.9	\$ 10.9	\$ 9.5	\$ 3.9	\$ 4.2	\$ -	\$ -
Operating grants and contributions	8.5	8.0	-	-	8.5	8.0	51.9	48.0	3.6	3.2
Capital grants and contributions	0.3	-	-	-	0.3	-	1.0	1.1	-	-
General revenues:										
General property taxes	43.2	41.5	-	-	43.2	41.5	-	-	-	-
Other local taxes	7.9	7.6	-	-	7.9	7.6	-	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	-	-	-	42.7	33.8	-	-
Intergovernmental non-categorical aid	6.3	6.3	-	-	6.3	6.3	0.1	0.1	-	-
Use of money and property	0.6	0.8	0.1	0.1	0.7	0.9	0.1	0.1	-	-
Miscellaneous	(0.6)	0.1	1.1	0.8	0.5	0.9	3.5	3.4	0.2	0.1
Total revenues	71.5	68.9	6.8	5.8	78.3	74.7	103.2	90.7	3.8	3.3
Expenses:										
General government administration	4.0	3.9	-	-	4.0	3.9	-	-	-	-
Judicial administration	2.6	2.5	-	-	2.6	2.5	-	-	-	-
Public safety	13.9	13.0	-	-	13.9	13.0	-	-	-	-
Public works	1.8	1.8	6.1	5.3	7.9	7.1	-	-	-	-
Health and social services	3.0	2.7	-	-	3.0	2.7	-	-	3.4	2.9
Education	42.7	33.8	-	-	42.7	33.8	95.3	91.9	-	-
Parks, recreation and cultural	1.6	1.1	-	-	1.6	1.1	-	-	-	-
Community development	2.2	1.4	-	-	2.2	1.4	-	-	-	-
Interest	2.4	2.4	-	-	2.4	2.4	-	-	-	-
Total expenses	74.2	62.6	6.1	5.3	80.3	67.9	95.3	91.9	3.4	2.9
Change in net assets	(2.7)	6.3	0.7	0.5	(2.0)	6.8	7.9	(1.2)	0.4	0.4
Net assets, beginning	4.5	(1.8)	19.9	19.4	24.4	17.6	72.0	73.2	1.2	0.8
Net assets, ending	\$ 1.8	\$ 4.5	\$ 20.6	\$ 19.9	\$ 22.4	\$ 24.4	\$ 79.9	\$ 72.0	\$ 1.6	\$ 1.2

REVENUES

The general property taxes category comprises approximately 60% of total revenue generated by governmental activities. Revenue increased 5% compared to last year. This category includes three major components; real property tax, the local portion of personal property tax, and the machinery and tools tax. Real property taxes, the largest source of revenue for the County, totaled \$27.6 million. The assessed value of real property in the County increased 3% for the 2004 calendar year due to the industrial construction at several plants. The residential real estate market also continued to be strong due to the positive interest rate environment. Machinery and tools tax increased 15%, reflecting the increase in values from strong local investment and an updating of the values in the system.

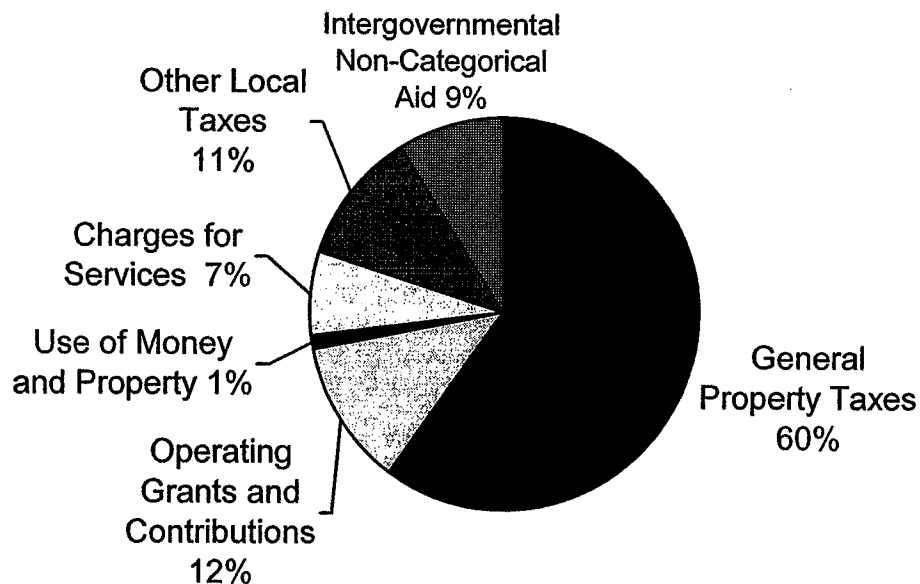
Operating grants and contributions comprise approximately 12% of governmental activities revenue. The state's reimbursement for shared expenses of the constitutional officers, the community corrections grant, records preservation grant, and the jail operations are the largest components of this category. Revenue increased 5% compared to last year mostly due to the new records preservation grant received this year.

Sales tax, utility taxes, and motor vehicle licenses are the three largest components of other local taxes collected by the County. The category of other local taxes comprises approximately 11% of total revenues generated by governmental activities. Revenue improved 4% compared to last year mostly due to an increase in sales tax collections.

Intergovernmental, non-categorical aid, is revenue received from the state or federal government and comprises 9% of governmental activities revenues. Personal property tax relief is the major source of revenue in this category. Total revenue in this category was flat compared to last year.

Charges for services include items such as permits and licenses, recreation fees, court cost fees, and correctional fees. Charges for services comprise approximately 7% of total revenues generated by governmental activities. The charges for services increased 16% compared to last year due to higher court cost fee revenue generated from strong timeshare sales and continued low interest rates for mortgages, higher recovered costs from judicial administration, and an increase in building-related permit fees to offset the costs of operation.

Revenue generated by governmental activities is presented below by category.



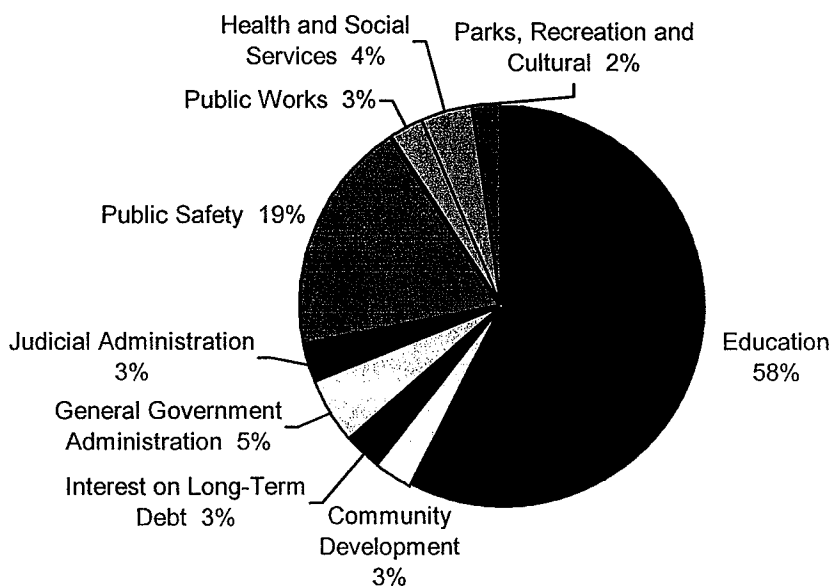
EXPENSES

For the fiscal year ended June 30, 2004, expenses for governmental activities totaled \$74.2 million, an increase of 19% from the previous fiscal year.

Education expenses comprised approximately 58% of expenses of governmental activities. Education continues to be the County's highest priority with funding of \$36.7 million to the School Board to support school operations, which is an increase of \$2.9 million or 9% over last year. The \$36.7 million does not include the \$8.5 million transferred for the expansion and renovation of the Elkton and Montevideo Middle Schools. The \$36.7 million also does not include the principal and interest of \$5.4 million paid by the County for school-related debt.

Public safety expenses comprised approximately 19% of expenses of governmental activities. Operations of the labor-intensive sheriff, jail, and fire and rescue departments are included in this category.

Expenses of the governmental activities are shown below by functional area:



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Primary Government Funds:

The focus of the County's primary government funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's primary government funds reported combined ending fund balances of \$31.8 million, an increase of \$6.0 million in comparison with the prior year. Approximately 94% of this total amount (\$29.8 million) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of the fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for 1) an advance to other funds (\$1.6 million), or 2) for a variety of other restricted purposes (\$0.4 million).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$25.6 million, while total fund balance reached \$27.2 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33% of total general fund expenditures, while total fund balance represents 35% of that same amount.

The fund balance of the County's General Fund increased by \$2.1 million during the current fiscal year. Key factors in this growth were as follows:

- General property taxes increased \$2.2 million over the prior fiscal year. The largest components of this increase were real property taxes by \$1.1 million, machinery and tools taxes by \$0.8 million, and personal property taxes by \$0.3 million. The increase in the real estate taxes is due to industrial construction at several plants and the residential real estate market also showing continued strength due to the positive interest rate environment. The increase in the machinery and tools tax reflect the increase in values from strong local investment and an updating of the values in the system. Personal property taxes increased due to continued new vehicle purchases driven by favorable financing incentives.
- The other revenue accounts collectively increased \$1.1 million over the prior fiscal year. The largest components of this increase were intergovernmental revenue by \$0.4 million, other local taxes by \$0.3 million, and permits, privilege fees and regulatory licenses by \$0.3 million. Intergovernmental revenue increased primarily due to a new grant. Other local taxes increased due to higher local sales and use taxes collected from consumer spending. Permits, privilege fees and regulatory licenses increased due to higher local recordation tax and deed fees from strong timeshare sales and continued low interest rates. Building and related permit fees were increased to offset the costs of operation.
- Spending for education increased by \$8.9 million primarily due to \$8.5 million included for the expansion and renovation of the Elkton and Montevideo Middle Schools.
- Principal, interest and fiscal charges decreased by \$0.9 million. This decrease is the result of paying down the existing debt without incurring any additional debt service payments in the current fiscal year.
- Community development increased by \$0.8 million primarily due to the first payment for the technology zone grants offered by the Rockingham County Industrial Development Authority.
- Proceeds from indebtedness increased \$13.6 million as a result of the County borrowing \$8.5 million to finance a portion of the expansion and renovation of the Elkton and Montevideo Middle Schools and issuing \$5.1 million General Obligation Bonds to finance the completed expansion and renovation of Turner Ashby High School, Ottobine Elementary School, and Fulks Run Elementary School.
- Transfers out increased \$7.1 million over the prior fiscal year. The largest components of this increase were \$6.6 million transferred to the Capital Projects Fund and \$0.7 million transferred to the Water and Sewer Fund. This is due primarily to an increase in approved capital projects.

General Fund Budgetary Highlights:

The key differences between the original budget and the final amended budget are as follows:

- Education expenditures increased \$3.1 million as a result of \$8.5 million added for the expansion and renovation of the Elkton and Montevideo Middle Schools less \$5.4 million for principal and interest payments for debt issued on behalf of the School Board being reclassified to the General Fund from the School Fund.

- Debt service increased \$5.5 million due to the debt issued on behalf of the School Board being reclassified to the General Fund from the School Fund.
- The other differences between the original budget and the final amended budget total resulted in a net increase in expenditures and transfers over revenues of \$0.2 million.
- Proceeds from indebtedness increased by \$8.5 million due to a loan for the expansion and renovation of the Elkton and Montevideo Middle Schools.
- Transfers out to other funds increased by \$1.2 million. This included \$0.7 million to the Water and Sewer Fund for the construction of water and sewer lines to serve the Wal-Mart Distribution Center, \$0.3 million to the E911 Fund for new equipment, \$0.2 million to the Capital Projects Fund to complete the renovation of the former IGA supermarket at the Plains District Community Center in Timberville.

The total net changes of \$1.4 million between the original and the final amended budget were to be budgeted from available fund balance. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

In addition, the County received \$5.1 million in proceeds from indebtedness for the General Obligation Rockingham County, Virginia School Bonds Series 2003 to finance a portion of the costs for the expansion and renovation of Turner Ashby High School, Ottobine Elementary School and Fulks Run Elementary School.

Actual General Fund revenues exceeded the original budget by \$3.2 million and the final budget by \$2.3 million during fiscal year 2004. The three main sources that provided more revenue were increases in the real property taxes, machinery and tools taxes, and personal property taxes. The reasons for these positive differences were explained above.

Actual General Fund expenditures were more than the original budget by \$6.9 million during the fiscal year 2004 and were less than the final budget by \$2.6 million. The key reasons for this decrease between actual amounts and final budgeted amounts were due to the following:

- The appropriation to the Rockingham County School Board was less than the final budget by \$1.0 million. These funds were left unspent at year-end by the School Board in recognition of the need to be conservative given the uncertain economic climate.
- Community development expenditures were \$0.6 million less than the final budget due to economic development funds not being spent by fiscal year-end.
- Judicial administration expenditures were \$0.6 million less than the final budget due to funds appropriated for grants but the projects had not been completed by fiscal year-end.

Actual net financing sources (uses) exceeded the original budget by \$12.7 million and the final budget by \$5.4 million during fiscal year 2004. The key reason for the increase between actual amounts and final budgeted amounts was the \$5.1 million general obligation school bonds issued and explained above.

Proprietary Funds:

The County's proprietary funds provide the same type of information found in the business-type activities of the primary government financial statements, but in more detail. Net assets of these funds totaled \$20.6 million at the end of the current fiscal year, which is an increase of \$0.7 million from last year.

CAPITAL ASSETS

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$45.7 million, net of accumulated depreciation. This investment in capital assets includes land, construction in progress, buildings, improvements, and machinery and equipment. The total increase in the County's investment in capital assets for the current fiscal year was 14% (a 10% increase for governmental activities and a 16% increase for business-type activities).

Major capital events of the County during the current fiscal year included the following:

- Construction in progress for the build-out of the second floor and renovation of the first floor of the District Courts building totaling \$1.2 million.
- Completed renovation for the new Plains District Community Center totaling \$1.1 million.
- Construction in progress for the Smith Creek Water & Waste Authority sewer line totaling \$3.2 million.
- Construction in progress for Wal-Mart Distribution Center water and sewer lines totaling \$923 thousand.

The component unit School Board's investment in capital assets as of June 30, 2004 amounts to \$71.5 million (net of accumulated depreciation). The investment in capital assets is comprised of the same categories as listed above for the County.

Major capital asset events of the component unit School Board during the current fiscal year included the following:

- Elkton and Montevideo Middle Schools expansion and renovation in progress totaling \$3.5 million.
- School buses and other vehicles totaled \$831 thousand.

The following table presents a comparative summary of capital assets:

Capital Assets As of June 30, 2004 and 2003 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government		School Board		Component Units	
									Harrisonburg-Rockingham Social Services District	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Non-Depreciable Assets:										
Land	\$ 3.2	\$ 3.2	\$ 0.6	\$ 0.7	\$ 3.8	\$ 3.9	\$ 3.0	\$ 3.0	\$ -	\$ -
Construction in progress	1.6	0.1	4.8	1.4	6.4	1.5	3.7	0.2	-	-
Depreciable Capital Assets:										
Buildings	19.7	19.7	0.1	0.1	19.8	19.8	101.1	101.0	-	-
Improvements	1.7	0.5	28.7	27.0	30.4	27.5	8.4	8.3	-	-
Machinery and equipment	5.5	5.7	3.4	3.0	8.9	8.7	20.4	19.4	0.3	0.3
Accumulated depreciation	(11.7)	(11.1)	(11.9)	(10.1)	(23.6)	(21.2)	(65.1)	(61.2)	(0.2)	(0.2)
Totals	\$ 20.0	\$ 18.1	\$ 25.7	\$ 22.1	\$ 45.7	\$ 40.2	\$ 71.5	\$ 70.7	\$ 0.1	\$ 0.1

More detailed information about the County's capital assets is presented in Note 5 of the financial statements.

LONG-TERM OBLIGATIONS

At the end of the current fiscal year, the County had net bonded debt outstanding of \$36,628,061.

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the County's debt position to management, citizens, and investors. Data for the County at the end of the 2004 fiscal year is as follows:

Estimated Population	Assessed Valuation of All Taxable Property	Net Bonded Debt	Ratio of Debt to Assessed Valuation	Net Bonded Debt per Capita
70,400	\$ 5,110,046,000	\$ 36,628,061	.0072	\$ 520

All bonded debt issued by the County is for educational purposes, primarily for the construction of school facilities.

The County's latest bond rating by Moody's Investor Services, Inc. for general obligation bonds is "A+".

Article VII, Section 10 (b), Constitution of Virginia, stipulates that no debt shall be contracted by or on behalf of any county or district thereof unless approved by an affirmative vote of a majority of the qualified voters of the County. No referendum was called to issue general obligation debt in the 2004 fiscal year.

More detailed information about the County's long-term obligations is presented in Note 6 of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The unemployment rate for the County is currently 2.4%, which is a decrease from a rate of 2.6% a year ago. This compares favorably to the state's average unemployment rate of 3.3% and the national average of 5.1%.
- The tenuous nature of the economy and the possible negative impact of a prolonged war against terrorism have made the projection of revenue for next year very difficult. Estimates have been projected conservatively to be responsible to the County's citizens in providing planned services for next year.
- Federal revenues are primarily from grant sources, and with the federal fiscal year not beginning until October 1, it is difficult to know which grants will be approved. However, it is important to point out that those expenditures that are dependent on federal or state grants will not be incurred until the grant is approved and the County has assurances that it will receive those funds.
- State revenues are slightly down for next year in the General Fund, but not as much as initially anticipated, since the County projected conservatively in the past. It will still be a challenge to maintain an appropriate level of funding for those services provided by the constitutional officers and other state funded agencies.

All of these factors were considered in preparing the County's budget for the 2005 fiscal year.

The Board remains committed to improving the high quality of living in Rockingham County. With this in mind, capital improvements totaling approximately \$23.2 million were appropriated for the 2005 fiscal year. The major capital improvement components are as follows:

- \$11.0 million for the expansion and renovation of the Elkton and Montevideo Middle Schools.
- \$3.0 million for funding the first phase of the County's Technology & Industrial Park located on Route 11 North. This infrastructure is being installed now and phase one will be completed in 2005. The completion of this phase will permit the recruitment of the first tenants to the 365-acre Park complex.
- \$2.0 million for beginning the next phase (piggyback cell) of the landfill expansion.
- \$1.1 million for the construction phase of the Emergency Communication Center (ECC) project located on the 5th floor of the Harrison Plaza property, in partnership with the City of Harrisonburg.
- \$1.6 million for the Spotswood High School waterline extension and storage tank.
- \$1.1 million for Phase 1 of the sewer rehabilitation project in the Lakewood subdivision area.
- \$950 thousand for future school construction.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$27.1 million. The County has appropriated \$1.5 million of this amount for spending in the 2005 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges during the 2005 fiscal year, while providing needed services and maintaining the quality of life for County residents.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the resources it receives and their uses. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance, County of Rockingham, P.O. Box 1252, Harrisonburg, VA 22803, telephone (540) 564-3010. The County's website address is www.rockinghamcountyva.gov.

BASIC FINANCIAL STATEMENTS



COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government			Component Units	
	Governmental	Business-type	Totals	School	Harrisonburg- Rockingham
	Activities	Activities		Board	Social Services District
ASSETS					
Cash, cash equivalents and temporary cash investments	\$ 29,343,606	\$ 5,072,202	\$ 34,415,808	\$ 13,371,679	\$ 1,552,184
Receivables, net:					
Property taxes	3,071,486	-	3,071,486	-	-
Utility taxes	205,201	-	205,201	-	-
Trade and other accounts	431,855	718,763	1,150,618	152,977	24,218
Accrued interest	103,450	18,220	121,670	15,159	4,984
Due from other governments	1,994,057	-	1,994,057	2,597,721	1,084,812
Internal balances	1,566,877	(1,566,877)	-	-	-
Prepaid items	61,127	-	61,127	5,638	-
Inventory	28,002	20,840	48,842	182,565	-
Restricted cash	303,086	2,018,084	2,321,170	7,124,235	-
Financing costs, net of accumulated amortization	-	26,275	26,275	-	-
Capital assets, net of accumulated depreciation:					
Land	3,198,581	605,060	3,803,641	2,972,138	-
Buildings	19,715,701	84,613	19,800,314	101,071,621	-
Improvements other than buildings	1,648,299	28,782,380	30,430,679	8,398,697	3,156
Machinery and equipment	5,500,780	3,429,561	8,930,341	20,455,089	274,645
Construction in progress	1,597,371	4,796,858	6,394,229	3,712,022	-
Less: accumulated depreciation	(11,702,926)	(11,951,047)	(23,653,973)	(65,128,058)	(192,930)
Total assets	57,066,553	32,054,932	89,121,485	94,931,483	2,751,069
LIABILITIES					
Accounts payable	1,031,345	615,415	1,646,760	3,428,167	858,579
Retainage payable	-	180,695	180,695	-	-
Compensated absences	584,558	62,522	647,080	1,471,097	126,727
Accrued payroll	473,565	51,019	524,584	8,760,266	93,362
Accrued liabilities - VDOT	260,000	-	260,000	-	-
Accrued interest	925,223	34,907	960,130	-	-
Deferred revenue	481,420	-	481,420	-	-
Due to other government	-	-	-	92,844	-
Noncurrent liabilities					
Due within one year	3,363,145	3,319,136	6,682,281	-	-
Due in more than one year	48,118,207	7,208,205	55,326,412	1,233,615	106,541
Total liabilities	55,237,463	11,471,899	66,709,362	14,985,989	1,185,209
NET ASSETS					
Invested in capital assets, net of related debt	14,393,817	19,043,067	33,436,884	71,481,509	84,871
Restricted:					
Nonexpendable trust	11,143	-	11,143	-	-
Expendable:					
Park maintenance	7,664	-	7,664	-	-
E911	66,403	-	66,403	-	-
Law enforcement	66,137	-	66,137	-	-
Debt service	284,337	-	284,337	-	-
Unspent debt proceeds	-	2,018,084	2,018,084	7,124,235	-
Unrestricted (deficit)	(13,000,411)	(478,118)	(13,478,529)	1,339,750	1,480,989
Total net assets	\$ 1,829,090	\$ 20,583,033	\$ 22,412,123	\$ 79,945,494	\$ 1,565,860

See Notes to Financial Statements.

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net (Expense) Revenue and Changes in Net Assets									
Functions/Programs	Program Revenues					Component Units			
	Expenses	Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions		Primary Government	
								Governmental Activities	Business-type Activities
Primary Government:									
Governmental activities:									
General government administration	\$ 3,950,687	\$ 4,945	\$ 387,113	\$ -	\$ (3,558,629)	\$ -	\$ (3,558,629)	\$ -	\$ -
Judicial administration	2,595,053	1,346,906	1,858,291	-	610,144	-	610,144	-	-
Public safety	13,949,886	3,123,080	6,095,750	259,573	(4,471,483)	-	(4,471,483)	-	-
Public works	1,760,352	539,784	-	-	(1,220,568)	-	(1,220,568)	-	-
Health and social services	3,008,207	32,856	82,283	-	(2,893,068)	-	(2,893,068)	-	-
Education	42,671,090	-	-	-	(42,671,090)	-	(42,671,090)	-	-
Parks, recreation and cultural	1,632,593	279,036	-	-	(1,353,557)	-	(1,353,557)	-	-
Community development	2,221,753	4,232	118,445	-	(2,099,076)	-	(2,099,076)	-	-
Interest	2,380,870	-	-	-	(2,380,870)	-	(2,380,870)	-	-
Total governmental activities	74,170,491	5,330,839	8,541,882	259,573	(60,038,197)	-	(60,038,197)	-	-
Business-type activities:									
Water and sewer	2,573,701	2,809,116	-	-	-	235,415	235,415	-	-
Solid waste	3,569,076	2,805,457	17,124	-	-	(746,495)	(746,495)	-	-
Total business-type activities	6,142,777	5,614,573	17,124	-	-	(511,080)	(511,080)	-	-
Total primary government	\$ 80,313,268	\$ 10,945,412	\$ 8,559,006	\$ 259,573	(60,038,197)	(511,080)	(60,549,277)	-	-
Component Units:									
Rockingham County School Board:									
Education:									
Instruction	\$ 76,718,694	\$ 1,761,529	\$ 50,241,660	\$ 1,034,559	-	-	-	(23,680,946)	-
Administration, attendance and health	2,697,916	-	-	-	-	-	-	(2,697,916)	-
Pupil transportation services	5,260,280	-	-	-	-	-	-	(5,260,280)	-
Operation and maintenance services	6,773,293	-	-	-	-	-	-	(6,773,293)	-
School food services	3,831,693	2,147,650	1,692,377	-	-	-	-	8,334	-
Interest	3,659	-	-	-	-	-	-	(3,659)	-
Total school board	95,285,535	3,909,179	51,934,037	1,034,559	-	-	(38,407,760)	-	-

Harrisonburg-Rockingham Social

Services District:

Social Services:

Public assistance

Comprehensive services act

Administration:

Welfare

Food stamp

Fuel assistance

3,650,031	-	2,025,719	-	-	-	(1,624,312)
5,438,545	-	3,365,709	-	-	-	(2,072,836)
3,614,985	-	4,159,192	-	-	-	544,207
217,461	-	-	-	-	-	(217,461)
24,529	-	-	-	-	-	(24,529)

Total social services district

12,945,551	-	9,550,620	-	-	-	(3,394,931)
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Total component units

\$ 108,231,086	\$ 3,909,179	\$ 61,484,657	\$ 1,034,559	-	-	(38,407,760)	(3,394,931)
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General Revenues:

Taxes:

General property taxes

Other local taxes:

Local sales and use

Consumer utility

Motor vehicle licenses

Other

Grants and contributions not restricted to specific programs

Intergovernmental, non-categorical aid

Use of money and property

Miscellaneous

Transfers

43,256,851	-	43,256,851	-	-	-	-
3,709,024	-	3,709,024	-	-	-	-
1,570,123	-	1,570,123	-	-	-	-
1,135,372	-	1,135,372	-	-	-	-
1,460,257	-	1,460,257	-	-	-	-
-	-	-	-	42,671,090	3,542,594	-
6,316,216	-	6,316,216	-	127,102	-	-
573,390	79,486	652,876	63,665	17,396	-	-
173,659	332,868	506,527	3,494,320	159,585	-	-
(810,567)	810,567	-	-	-	-	-

Total general revenues and transfers

57,384,325	1,222,921	58,607,246	46,356,177	3,719,575	-	-
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Change in net assets

Net assets, beginning

(2,653,872)	711,841	(1,942,031)	7,948,417	324,644	-	-
4,482,962	19,871,192	24,354,154	71,997,077	1,241,216	-	-

Net assets, ending

\$ 1,829,090	\$ 20,583,033	\$ 22,412,123	\$ 79,945,494	\$ 1,565,860	-	-
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See Notes to Financial Statements.

COUNTY OF ROCKINGHAM, VIRGINIA

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2004

	General	General Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 24,202,414	\$ 4,891,894	\$ 236,531	\$ 29,330,839
Receivables, net:				
Property taxes	3,071,486	-	-	3,071,486
Utility taxes	205,201	-	-	205,201
Trade and other accounts	139,249	265,294	25,750	430,293
Accrued interest	87,857	14,813	780	103,450
Due from other governments	1,992,955	-	1,102	1,994,057
Prepaid items	61,127	-	-	61,127
Inventory	18,888	-	-	18,888
Advance to other funds	1,566,877	-	-	1,566,877
Restricted cash	-	-	303,086	303,086
Total assets	\$ 31,346,054	\$ 5,172,001	\$ 567,249	\$ 37,085,304
LIABILITIES				
Accounts payable	\$ 446,944	\$ 454,047	\$ 130,300	\$ 1,031,291
Accrued payroll	472,842	-	723	473,565
Accrued liabilities - VDOT	-	260,000	-	260,000
Deferred revenue	3,266,388	265,295	-	3,531,683
Total liabilities	4,186,174	979,342	131,023	5,296,539
FUND BALANCES				
Reserved for:				
Advance to other funds	1,566,877	-	-	1,566,877
Inventory	18,888	-	-	18,888
Nonexpendable trust principal	-	-	11,143	11,143
Park maintenance	-	-	7,664	7,664
E911	-	-	66,403	66,403
Law enforcement	-	-	66,137	66,137
Debt service	-	-	284,337	284,337
Unreserved:				
Designated:				
Capital projects	1,100,513	-	-	1,100,513
Undesignated:				
General fund	24,473,602	-	-	24,473,602
Capital projects funds	-	4,192,659	542	4,193,201
Total fund balances	27,159,880	4,192,659	436,226	31,788,765
Total liabilities and fund balances	\$ 31,346,054	\$ 5,172,001	\$ 567,249	\$ 37,085,304

See Notes to Financial Statements.

COUNTY OF ROCKINGHAM, VIRGINIA

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

June 30, 2004

Governmental Funds

Total fund balances - total governmental funds \$ 31,788,765

Amounts reported for governmental activities in the Statement of
Net Assets are different because:

Capital assets used in governmental activities are not current
financial resources and therefore are not reported in the
governmental funds.

Governmental capital assets	\$ 31,660,732	
Less accumulated depreciation	(11,702,926)	
Net capital assets		19,957,806

Deferred revenue represents amounts that were not available to
fund current expenditures and therefore is not reported as revenue
in the governmental funds. 3,050,263

Internal service funds are used by management to charge the
costs of goods provided to other departments or funds. The assets
and liabilities of the internal service fund are included in
governmental activities in the Statement of Net Assets. 23,389

Long-term liabilities, including bonds payable, are not due and payable in the
current period and therefore are not reported as liabilities in the governmental funds.

General obligation bonds, including unamortized premiums	(35,564,257)	
Lease revenue note	(8,500,000)	
Literary loans	(1,378,386)	
Capital leases	(5,563,989)	
Compensated absences	(1,059,278)	
Interest payable	(925,223)	
		(52,991,133)

Net assets of governmental activities \$ 1,829,090

See Notes to Financial Statements.

COUNTY OF ROCKINGHAM, VIRGINIA

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004**

	General	General Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:				
General property taxes	\$ 43,549,045	\$ -	\$ -	\$ 43,549,045
Other local taxes	7,512,154	-	362,622	7,874,776
Permits, privilege fees and regulatory licenses	883,449	-	-	883,449
Fines and forfeitures	190,134	-	81,904	272,038
Use of money and property	507,583	38,566	27,448	573,597
Charges for services	2,521,638	-	-	2,521,638
Miscellaneous	142,284	43,072	-	185,356
Recovered costs	1,653,507	259,573	-	1,913,080
Intergovernmental	14,858,098	-	-	14,858,098
Total revenues	71,817,892	341,211	471,974	72,631,077
Expenditures:				
Current:				
General government administration	3,744,157	-	-	3,744,157
Judicial administration	2,399,019	-	-	2,399,019
Public safety	12,633,120	-	912,483	13,545,603
Public works	1,741,907	-	-	1,741,907
Health and social services	2,963,451	-	-	2,963,451
Education	42,671,090	-	-	42,671,090
Parks, recreation and cultural	1,513,347	-	-	1,513,347
Community development	2,164,328	-	-	2,164,328
Capital outlay	-	2,821,843	-	2,821,843
Debt service:				
Principal	3,930,375	-	-	3,930,375
Interest and fiscal charges	2,271,149	-	1,022	2,272,171
Total expenditures	76,031,943	2,821,843	913,505	79,767,291
Revenues under expenditures	(4,214,051)	(2,480,632)	(441,531)	(7,136,214)
Other financing sources (uses):				
Proceeds from indebtedness	13,577,993	-	-	13,577,993
Premium on issuance of indebtedness	314,582	-	-	314,582
Transfers in	23,340	6,574,500	259,443	6,857,283
Transfers out	(7,574,060)	(70,450)	(23,340)	(7,667,850)
Total other financing sources, net	6,341,855	6,504,050	236,103	13,082,008
Net change in fund balances	2,127,804	4,023,418	(205,428)	5,945,794
Fund balance, beginning	25,032,076	169,241	641,654	25,842,971
Fund balance, ending	\$ 27,159,880	\$ 4,192,659	\$ 436,226	\$ 31,788,765

See Notes to Financial Statements.

COUNTY OF ROCKINGHAM, VIRGINIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2004

	Governmental Funds	
Net change in fund balances - total governmental funds	\$	5,945,794
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Expenditure for capital assets	\$	2,922,826
Less depreciation expense		(1,110,551)
Excess of capital outlays over depreciation		1,812,275
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to decrease net assets.		(23,894)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in deferred revenue		(302,193)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Debt issued or incurred:		
General obligation debt		(13,577,993)
Premium on general obligation debt		(314,582)
Principal repayments:		
General obligation debt		3,930,375
		(9,962,200)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued interest		(108,699)
Compensated absences		(13,306)
		(122,005)
Internal service funds are used by management to charge the costs of certain activities, such as central purchasing, to individual funds. The net revenue of the internal service fund is reported with governmental activities.		
Total revenues		24,198
Total expenses		(25,847)
		(1,649)
Change in net assets of governmental activities	\$	(2,653,872)

See Notes to Financial Statements.

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND Year Ended June 30, 2004

	General Fund			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
General property taxes	\$ 42,724,000	\$ 42,724,000	\$ 43,549,045	\$ 825,045
Other local taxes	6,805,000	6,805,000	7,512,154	707,154
Permits, privilege fees and regulatory licenses	640,900	640,900	883,449	242,549
Fines and forfeitures	176,000	176,000	190,134	14,134
Use of money and property	525,203	525,203	507,583	(17,620)
Charges for services	1,912,500	2,034,074	2,521,638	487,564
Miscellaneous	80,500	113,219	142,284	29,065
Recovered costs	1,808,340	1,812,156	1,653,507	(158,649)
Intergovernmental	13,969,521	14,643,607	14,858,098	214,491
Total revenues	68,641,964	69,474,159	71,817,892	2,343,733
Expenditures:				
Current:				
General government administration	3,695,298	3,846,839	3,744,157	(102,682)
Judicial administration	2,549,052	2,968,931	2,399,019	(569,912)
Public safety	12,389,294	12,806,570	12,633,120	(173,450)
Public works	1,604,514	1,790,927	1,741,907	(49,020)
Health and social services	2,934,325	3,058,932	2,963,451	(95,481)
Education	40,636,119	43,719,411	42,671,090	(1,048,321)
Parks, recreation and cultural	1,406,180	1,520,280	1,513,347	(6,933)
Community development	3,178,444	2,807,785	2,164,328	(643,457)
Debt service:				
Principal	402,180	3,930,376	3,930,375	(1)
Interest and fiscal charges	311,943	2,276,099	2,271,149	(4,950)
Total expenditures	69,107,349	78,726,150	76,031,943	(2,694,207)
Revenues under expenditures	(465,385)	(9,251,991)	(4,214,051)	5,037,940
Other financing sources (uses):				
Proceeds from indebtedness	-	8,500,000	13,577,993	5,077,993
Premium on issuance of indebtedness	-	-	314,582	314,582
Transfers in	-	-	23,340	23,340
Transfers out	(6,374,500)	(7,499,060)	(7,574,060)	(75,000)
Total other financing sources (uses), net	(6,374,500)	1,000,940	6,341,855	5,340,915
Net change in fund balance	(6,839,885)	(8,251,051)	2,127,804	10,378,855
Fund balance, beginning	6,839,885	8,251,051	25,032,076	16,781,025
Fund balance, ending	\$ -	\$ -	\$ 27,159,880	\$ 27,159,880

See Notes to Financial Statements.

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS June 30, 2004

	Business-Type Activities - Enterprise Funds					Governmental
	Water and Sewer	Smith Creek Water & Waste Authority	Solid Waste	Other Proprietary Funds	Totals	Activity - Internal Service Fund
ASSETS						
Current Assets:						
Cash, cash equivalents and temporary cash investments	\$ 957,221	\$ 599,347	\$ 3,437,620	\$ 78,014	\$ 5,072,202	\$ 12,767
Trade and other accounts receivable	417,624	11,099	284,971	5,069	718,763	1,562
Accrued interest	3,247	2,121	12,770	82	18,220	-
Inventory	20,840	-	-	-	20,840	9,114
Total current assets	1,398,932	612,567	3,735,361	83,165	5,830,025	23,443
Noncurrent Assets:						
Restricted cash	1,328,824	689,260	-	-	2,018,084	-
Financing costs, net of accumulated amortization	16,717	9,558	-	-	26,275	-
Capital assets:						
Land	252,435	-	332,025	20,600	605,060	-
Buildings	12,995	-	62,718	8,900	84,613	-
Improvements other than buildings	17,567,203	2,271,233	8,804,460	139,484	28,782,380	-
Machinery and equipment	728,781	-	2,695,310	5,470	3,429,561	-
Construction in progress	1,304,104	3,471,014	8,229	13,511	4,796,858	-
Less accumulated depreciation	(5,912,742)	(68,137)	(5,932,440)	(37,728)	(11,951,047)	-
Total capital assets (net of accumulated depreciation)	13,952,776	5,674,110	5,970,302	150,237	25,747,425	-
Total noncurrent assets	15,298,317	6,372,928	5,970,302	150,237	27,791,784	-
Total assets	16,697,249	6,985,495	9,705,663	233,402	33,621,809	23,443
LIABILITIES						
Current Liabilities:						
Accounts payable	155,888	360,310	96,271	2,946	615,415	54
Retainage payable	29,005	151,690	-	-	180,695	-
Compensated absences	26,398	-	36,124	-	62,522	-
Accrued payroll	22,883	-	28,136	-	51,019	-
Accrued interest	5,674	29,233	-	-	34,907	-
Advance from other funds	745,000	-	671,877	150,000	1,566,877	-
Revenue bonds	85,000	3,184,216	-	-	3,269,216	-
Landfill obligation	-	-	49,920	-	49,920	-
Total current liabilities	1,069,848	3,725,449	882,328	152,946	5,830,571	54
Noncurrent Liabilities:						
Compensated absences	28,614	-	39,087	-	67,701	-
Revenue bonds	1,520,662	1,914,480	-	-	3,435,142	-
Landfill obligation	-	-	3,705,362	-	3,705,362	-
Total noncurrent liabilities	1,549,276	1,914,480	3,744,449	-	7,208,205	-
Total liabilities	2,619,124	5,639,929	4,626,777	152,946	13,038,776	54
NET ASSETS						
Invested in capital assets, net of related debt	12,347,114	575,414	5,970,302	150,237	19,043,067	-
Restricted for unspent debt proceeds	1,328,824	689,260	-	-	2,018,084	-
Unrestricted (deficit)	402,187	80,892	(891,416)	(69,781)	(478,118)	23,389
Total net assets	\$ 14,078,125	\$ 1,345,566	\$ 5,078,886	\$ 80,456	\$ 20,583,033	\$ 23,389

See Notes to Financial Statements.

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds					Governmental Activity - Internal Service Fund
	Water and Sewer	Smith Creek Water & Waste Authority	Solid Waste	Other Proprietary Funds	Totals	
Operating revenues:						
Charges for services	\$ 2,030,409	\$ 65,338	\$ 2,805,457	\$ 37,318	\$ 4,938,522	\$ 24,198
Connection fees	77,918	2,674	-	-	80,592	-
Other revenue	102,558	70	230,190	50	332,868	-
Total operating revenues	2,210,885	68,082	3,035,647	37,368	5,351,982	24,198
Operating expenses:						
Personal services	644,189	-	749,416	-	1,393,605	-
Fringe benefits	202,735	-	274,017	-	476,752	-
Contractual services	36,035	1,723	717,058	19,824	774,640	-
Regional Sewer Authority assessment for debt service	39,553	-	-	-	39,553	-
Electrical services	221,469	-	17,032	5,602	244,103	-
Water and sewer services	133	-	30,222	853	31,208	-
Repairs and maintenance	38,970	-	217,173	148	256,291	-
Internal services	24,348	-	13,508	-	37,856	-
Vehicle parts and supplies	8,270	-	104,103	-	112,373	-
Other charges	600,973	17,604	42,289	7,607	668,473	25,847
Depreciation and amortization	482,273	45,950	1,325,915	3,072	1,857,210	-
Total operating expenses	2,298,948	65,277	3,490,733	37,106	5,892,064	25,847
Operating income (loss)	(88,063)	2,805	(455,086)	262	(540,082)	(1,649)
Nonoperating revenues (expenses):						
Operating grants	-	-	17,124	-	17,124	-
Connection availability fees	571,397	24,062	-	-	595,459	-
Interest revenue	21,818	17,550	39,952	166	79,486	-
Interest expense	(67,119)	(60,416)	(78,343)	-	(205,878)	-
Gain (loss) on disposal of equipment	(75,131)	30,296	-	-	(44,835)	-
Total nonoperating revenues (expenses), net	450,965	11,492	(21,267)	166	441,356	-
Income (loss) before transfers	362,902	14,297	(476,353)	428	(98,726)	(1,649)
Transfers in	735,567	-	-	75,000	810,567	-
Change in net assets	1,098,469	14,297	(476,353)	75,428	711,841	(1,649)
Total net assets, beginning	12,979,656	1,331,269	5,555,239	5,028	19,871,192	25,038
Total net assets, ending	\$ 14,078,125	\$ 1,345,566	\$ 5,078,886	\$ 80,456	\$ 20,583,033	\$ 23,389

See Notes to Financial Statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds					Governmental Activity - Internal Service Fund
	Water and Sewer	Smith Creek Water & Waste Authority	Solid Waste	Other Proprietary Funds	Totals	
Cash Flows From Operating Activities:						
Receipts from customers	\$ 1,884,076	\$ 62,999	\$ 3,062,252	\$ 36,796	\$ 5,046,123	\$ 24,674
Payments to suppliers for goods and services	(358,942)	157,180	(666,674)	(74,798)	(943,234)	(22,718)
Payments to employees for services	(830,742)	-	(1,013,893)	-	(1,844,635)	-
Internal activity - payments to other funds	(24,348)	-	(13,508)	-	(37,856)	-
Other receipts (payments)	(498,415)	(17,534)	187,901	(7,557)	(335,605)	-
Net cash provided by (used in) operating activities	171,629	202,645	1,556,078	(45,559)	1,884,793	1,956
Cash Flows From Noncapital and Related Financing Activities:						
Operating grants	-	-	17,124	-	17,124	-
Cash Flows From Capital and Related Financing Activities:						
Advance from other fund	-	-	-	60,000	60,000	-
Proceeds from sale of capital assets	-	112,500	-	-	112,500	-
Proceeds from issuance of debt	1,605,662	3,100,000	-	-	4,705,662	-
Payment of advance from other funds	(50,000)	-	(633,845)	-	(683,845)	-
Connection availability fees	571,397	24,062	-	-	595,459	-
Principal paid on bonds	(331,571)	(79,804)	-	-	(411,375)	-
Interest paid on outstanding debt	(67,119)	(60,416)	(78,343)	-	(205,878)	-
Transfer from other funds for capital purposes	735,567	-	-	75,000	810,567	-
Acquisition and construction of capital assets	(1,841,386)	(2,876,773)	(440,006)	(13,511)	(5,171,676)	-
Capitalized financing costs	(16,717)	-	-	-	(16,717)	-
Net cash provided by (used in) capital and related financing activities	605,833	219,569	(1,152,194)	121,489	(205,303)	-
Cash Flows From Investing Activities:						
Interest received on investment securities	21,860	17,331	35,427	480	75,098	-
Net increase in cash and cash equivalents	799,322	439,545	456,435	76,410	1,771,712	1,956
Cash and cash equivalents:						
Beginning	1,486,723	849,062	2,981,185	1,604	5,318,574	10,811
Ending	\$ 2,286,045	\$ 1,288,607	\$ 3,437,620	\$ 78,014	\$ 7,090,286	\$ 12,767
Cash, cash equivalents and temporary cash investments	\$ 957,221	\$ 599,347	\$ 3,437,620	\$ 78,014	\$ 5,072,202	\$ 12,767
Restricted cash	1,328,824	689,260	-	-	2,018,084	-
	\$ 2,286,045	\$ 1,288,607	\$ 3,437,620	\$ 78,014	\$ 7,090,286	\$ 12,767

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2004

	Business-type Activities - Enterprise Funds					Governmental
	Smith Creek					Activity -
	Water and	Water &	Solid	Other	Totals	Internal
	Sewer	Waste	Waste	Proprietary		Service
		Authority		Funds		Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ (88,063)	\$ 2,805	\$ (455,086)	\$ 262	\$ (540,082)	\$ (1,649)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization	482,273	45,950	1,325,915	3,072	1,857,210	-
Change in assets and liabilities:						
(Increase) decrease in:						
Accounts receivable	(224,251)	(5,013)	256,795	(522)	27,009	476
Inventory	(7,557)	-	-	-	(7,557)	3,075
Increase (decrease) in:						
Accounts payable	(47,186)	(2,190)	(127,113)	(48,371)	(224,860)	54
Accrued liabilities	56,413	161,093	(24,816)	-	192,690	-
Landfill obligation	-	-	580,383	-	580,383	-
Net cash provided by (used in) operating activities	\$ 171,629	\$ 202,645	\$ 1,556,078	\$ (45,559)	\$ 1,884,793	\$ 1,956
Schedule of Noncash Capital and Related Financing Activities:						
Capital assets acquired through incurrence of accounts payable	\$ 91,542	\$ 358,069	\$ 35,481	\$ -	\$ 485,092	\$ -

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2004

	Agency Funds
ASSETS	
Cash, cash equivalents and temporary cash investments	\$ 1,990,865
Accounts receivable	<u>34,489</u>
Total assets	<u>2,025,354</u>
LIABILITIES	
Accounts payable	<u>2,025,354</u>
Total liabilities	<u><u>\$ 2,025,354</u></u>

See Notes to Financial Statements.



COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies

The financial statements of the County of Rockingham, Virginia, conform with accounting principles generally accepted in the United States of America as applied to government units promulgated by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

A. Reporting Entity

The County of Rockingham was created by an act of the General Assembly of Virginia in 1778, and provides a wide range of municipal services contemplated by statute or charter. As required by accounting principles generally accepted in the United States of America, these financial statements present the County (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. Each blended and discretely presented component unit has a June 30 year end.

Blended Component Units. The Lilly Subdivision Sanitary District, the Smith Creek Water and Waste Authority, and the Countryside Sanitary District serve the citizens of the primary government that are in their respective districts and authority and are governed by a board comprised of the primary government's Board of Supervisors. The districts and authority are reported as enterprise funds.

Discretely Presented Component Units:

School Board

The School Board is responsible for elementary and secondary education within the government's jurisdiction and is elected by the voters of Rockingham County. The School Board is fiscally dependent upon the government because the government's Board of Supervisors approves the School Board's budget, levies taxes and must approve any debt issuances of the School Board. The School Board is presented as a governmental fund type and consists of seven special revenue funds which include the following:

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

School Operating Fund accounts for the general operations of the School Board. Financing is provided by specific allocations from the state and federal governments, by appropriation from the General Fund by the Board of Supervisors, and charges for services.

School Textbook Fund accounts for textbook inventory.

School Cafeteria Fund accounts for the centralized School cafeteria operations.

School Capital Projects Fund accounts for financial resources used for the acquisition or construction of major capital facilities of the School Board, other than those financed by the Massanutten Technical Center.

School Activity Funds account for the activity funds at each individual school.

Massanutten Technical Center - Operating Fund accounts for the general operations of the Massanutten Technical Center. The Massanutten Technical Center funds are under the control of the Massanutten Technical Center Board of Control appointed by the Rockingham County School Board and Harrisonburg City School Board.

Massanutten Technical Center - Activity Fund accounts for activities to raise funds for school use. The Massanutten Technical Center funds are under the control of the Massanutten Technical Center Board of Control appointed by the Rockingham County School Board and Harrisonburg City School Board.

The Component Unit - School Board does not issue a separate set of financial statements. All financial information of the School Board is presented with this Comprehensive Annual Financial Report.

Complete financial statements for the School Activity Funds, Massanutten Technical Center - Operating Fund, and Massanutten Technical Center - Activity Fund can be obtained from their respective administrative offices.

School Activity Funds
County of Rockingham
404 County Office Building
4 South Main Street
Harrisonburg, Virginia

Massanutten Technical Center
325 Pleasant Valley Road
Harrisonburg, Virginia

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Harrisonburg-Rockingham Social Services District

Harrisonburg-Rockingham Social Services District (District) is a regional district created by the governing bodies of the County of Rockingham and City of Harrisonburg to provide social services for the residents of the County of Rockingham and the City of Harrisonburg. The participating entities appoint one member each to the governing board. The District is a legally separate organization. Its financial statements are presented as a discrete presentation of the County's financial statements because of the District's fiscal dependency on the County. The District is presented as a governmental fund type consisting of one special revenue fund as follows:

Social Services Fund accounts for the general operations of the District. Financing is provided by specific allocations from the state and federal governments, by appropriation from the General Fund of the County by the Board of Supervisors, and by the City of Harrisonburg.

The Component Unit - Harrisonburg-Rockingham Social Services District does not issue a separate set of financial statements. All financial information of the District is presented with this Comprehensive Annual Financial Report.

B. Government-Wide and Fund Financial Statements

Government-Wide Statements: The Statement of Net Assets and the Statement of Activities display information about the primary government (the County) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business-type activities of the County and for each function of the County's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a *particular* function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. *Program revenues* include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as *general revenues*.

Fund Financial Statements: The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements: The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus*. The government-wide, proprietary, and fiduciary fund financial statements are reported using the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from the property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within 75 days after year-end, except property taxes which are recognized as revenue if they have been collected within 45 days after year-end. Property taxes, sales taxes, franchise taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues to fund the program.

All governmental and business-type activities and enterprise funds of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Operating expenses include cost of services, administrative expenses and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

General Capital Projects Fund. This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The County reports the following major enterprise funds:

Water and Sewer Fund. This fund accounts for services to the general public which are financed primarily by charges to users of such services.

Smith Creek Water & Waste Authority. This fund accounts for services provided to those areas within the Smith Creek Water and Waste Authority and is financed primarily by charges to users of such services.

Solid Waste Fund. This fund accounts for the operation, maintenance, and development of various landfills and disposal sites.

Additionally, the County reports the following fund types:

Internal Service Fund. This fund accounts for revenue and expenses associated with providing office supplies to other departments or agencies of the County on a cost-reimbursement basis.

Agency Funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds consist of the following: Special Welfare, Employee Benefits, Rockingham County Industrial Development Authority, Bond Escrow, Disability Services Board, Community Association for Rural Transportation, Massanutten Technical Center and Upper Valley Regional Park Authority.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

D. Budgetary Data

The Board of Supervisor's fiscal control is exercised through two distinct processes: budgeting and appropriations. The County budget is developed for informative and fiscal planning purposes only and presents an itemized listing of contemplated expenditures and estimated revenues for the ensuing fiscal year. Certain expenditures are mandated by statute and need to be included in the County budget. Mandated expenditures include the matching share of the expenditures of the Treasurer and Commissioner of the Revenue, support of public schools, Sheriff, Commonwealth Attorney, Clerk of Circuit Court, jail, voter registration, social service programs, and the operating costs of the state/local public health program. The Board of Supervisors approves the budget after a public hearing.

When the budget becomes effective at the beginning of the fiscal year, the Board of Supervisors must make appropriations before money may be expended for any budgeted program, project or operation. Appropriations are made on an annual basis with supplemental appropriations made as needed. Such appropriations may be greater than contemplated in the annual budget. All appropriations lapse at year-end.

The County Administrator is authorized to transfer budgeted amounts within the primary government functions. The discretely presented component units, the School Board and the District, are authorized to transfer budgeted amounts within their major categories. The County may amend its budget to increase the aggregate amount to be appropriated during the current fiscal year as shown in the currently adopted budget. A supplemental appropriation which exceeds one percent of the total revenue shown in the currently adopted budget or the sum of \$500,000, whichever is less, must be accomplished by publishing a notice of a meeting and a public hearing in a newspaper having general circulation in that locality seven days prior to the meeting date. The notice shall state the County's intent to amend the amounts to be appropriated and include a brief synopsis of the proposed action.

The budgets are prepared using the same accounting basis and practices as are used to account for and prepare the financial reports for each fund; thus, the budgets presented in this report for comparison to actual amounts are presented in accordance with accounting principles generally accepted in the United States of America. Budgetary compliance is monitored and reported at the operating function level. Budgetary control is maintained at the subfunction level by the encumbrance of estimated purchase orders prior to release of purchase orders to vendors. Purchase orders which will result in an overrun of function balances are not released until additional appropriations are made.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Liabilities and Equity

1. Deposits and Investments

The County considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Cash of individual funds other than the Special Welfare, Upper Valley Regional Park Authority, School Activity and the Massanutten Technical Center - Activity Fund is combined to form a pool of cash and investments. The pool consists primarily of government and corporate obligations, commercial paper and a local government investment pool. The government and corporate securities are stated at fair value based on quoted market prices and the investment in the local government investment pool (a 2a7-like pool) is reported at the pool's share price. Interest earned as a result of pooling is distributed to the appropriate funds utilizing a formula based on average monthly balances.

Investments are stated at fair value based on quoted market prices.

2. Property Taxes

Property taxes are levied as of January 1 with real estate values redetermined every four years and personal property values assessed annually. The last general real property reassessment was effective January 1, 2002. Property taxes attach as an enforceable lien on property as of January 1. Real estate taxes are due and collectible twice a year, on June 5 and December 5 in the same year as levied. Personal property taxes are due and collectible annually on December 5 in the same year as levied. That portion of the taxes receivable which is not collected within 45 days after June 30 is shown as deferred revenue. A penalty of 10% of the tax is assessed after the applicable payment date. Interest is charged to all unpaid accounts beginning July 1 and January 1, as appropriate, at an annual rate of 10%.

3. Inventory

Inventories are stated at cost using the first-in, first-out method. The only significant governmental fund type inventory is textbook inventory in the Textbook Fund, a fund of a discretely presented component unit. The costs of the textbook inventory are recorded as expenditures when placed in use rather than when purchased.

4. Restricted Cash

In accordance with the capital lease for the Joint Judicial Complex, 1/2 of the highest annual lease payment is required to be restricted to provide additional security for the bondholders. This amount is classified as restricted cash on the Statement of Net Assets because its use is limited by applicable bond covenants. The Albert K. Long Trust Fund's cash balance is restricted in accordance with the trust agreement. The Water and Sewer Fund, the Smith Creek Water & Waste Authority and School Capital Projects Fund have restricted a portion of that fund's cash balances in accordance with their respective debt agreements.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Liabilities and Equity (Continued)

5. Capital Assets

Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000. Capital assets are accounted for at cost. Assets acquired by gift are accounted for at the asset's fair market value at the date the property was received. The Commonwealth of Virginia, not the County, has primary responsibility to construct and maintain infrastructure, such as streets and bridges, within the County. The County may, at its option, contribute to improvements to the road system. Such expenditures would be expensed during the year incurred. Interest incurred during construction on governmental activities' capital assets is not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	20 to 30 years
Improvements other than buildings	10 to 50 years
Machinery and equipment	5 to 15 years

6. Compensated Absences

Employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement based on full-time or part-time status. In the primary government and the discretely presented component unit, the District, an employee can accumulate up to 42 days of vacation and no more than \$5,000 of sick leave time.

Compensated absences are accrued when incurred in proprietary funds and reported as a fund liability.

In the discretely presented component unit, the School Board, an employee can accumulate up to 36 days of vacation and an unlimited amount of sick leave. An employee earns one day of sick leave at the end of each month worked up to a maximum of 12 days per year. Upon retirement after age 55, all full-time school employees will be compensated at one day for every three days of unused sick leave up to a maximum of two months of salary.

Compensated absences that are expected to be liquidated with expendable available resources are reported as expenditures and fund liabilities of the governmental fund that will pay it.

In prior years, all amounts accrued for compensated absences were recorded in the fund that was liable for payment of the amounts. Now, compensated absences are recorded on the entity-wide statements unless expected to be liquidated with available current resources.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Liabilities and Equity (Continued)

7. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Component Unit - School Board Capital Asset and Debt Presentation

By law, the School Board does not have taxing authority and, therefore, it cannot incur debt through general obligation bonds to fund the acquisition, construction or improvement to its capital assets. That responsibility lies with the local governing body who issues the debt on behalf of the School Board. However, the *Code of Virginia* requires the School Board to hold title to the capital assets (buildings and equipment) due to their responsibility for maintaining the asset.

In the Statement of Net Assets, this scenario presents a dilemma for the primary government. Debt issued on behalf of the School Board is reported as a liability of the primary government, thereby reducing the net assets of the primary government. The corresponding capital assets are reported as assets of the Component Unit - School Board (title holder), thereby increasing their net assets.

During the 2002 Virginia General Assembly session, the legislature amended the *Code of Virginia* to allow a tenancy in common with the School Board whenever the locality incurs a financial obligation which is payable over more than one fiscal year for any school property. The tenancy in common terminates when the associated debt has been paid in full. For financial reporting purposes, the legislation permits the locality to report the portion of the school property related to any outstanding financial obligation, thus eliminating a potential deficit from financing capital assets with debt. The legislation also allows local governments to elect not to acquire a tenancy in common by adopting a resolution to that effect.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 1. Significant Accounting Policies (Continued)

E. Assets, Liabilities and Equity (Continued)

8. Component Unit – School Board Capital Asset and Debt Presentation (Continued)

The County concluded that, while joint tenancy would resolve a deficit in the primary government's net assets, the continual computation process that would be required to allocate principal, interest, asset amount, and depreciation between the County and the School Board would be cumbersome and not provide any added benefit to the financial statements. Therefore, the Board of Supervisors adopted a resolution declining tenancy in common for current and future obligations.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Deposits and Investments

Deposits. All cash of the County of Rockingham is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the *Code of Virginia* or covered by federal depository insurance.

Investments: Statutes authorize local governments and other public bodies to invest in obligations of the United States or its agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements, and the State Treasurer's Local Government Investment Pool (LGIP).

The LGIP is a professionally managed money market fund which invests in qualifying obligations and securities as permitted by Virginia statutes. Pursuant to Section 2.2-4605 *Code of Virginia*, the Treasury Board of the Commonwealth sponsors the LGIP and has delegated certain functions to the State Treasurer. The LGIP reports to the Treasury Board at their regularly scheduled monthly meetings. The fair value of the position of the LGIP is the same as the value of the pool shares, i.e., the LGIP maintains a stable net asset value of \$1 per share.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits and Investments (Continued)

Investments are categorized to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its safekeeping agent in the County's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or safekeeping agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or safekeeping agent but not in the County's name.

The County's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end.

	Category			Fair Value
	1	2	3	
U.S. Agency Notes	\$ -	\$ -	\$ 34,968,677	\$ 34,968,677
Corporate Bonds	284,337	-	-	284,337
	<u>\$ 284,337</u>	<u>\$ -</u>	<u>\$ 34,968,677</u>	<u>35,253,014</u>

Investments not subject to risk categorization:

U. S. Money Funds	24,228,108
Investment in State Treasurer's Local Government Investment Pool (LGIP)	4,476,457
Total Investments	<u>63,957,579</u>
Deposits	(4,631,161)
Cash on Hand and Petty Cash	60,010

Adjustment for pooled funds for discretely presented component units for which the County acts as fiscal agent:

School Fund	(6,561,700)
School Textbook Fund	(466,806)
School Cafeteria Fund	(952,142)
School Capital Projects Fund	(11,163,247)
Social Services District	(1,552,184)
Fiduciary Funds	<u>(1,990,866)</u>

Total cash, cash equivalents and investments of the Primary Government

\$ 36,699,484

Cash, cash equivalents and temporary cash investments

\$ 34,415,808

Restricted cash

2,321,170

Overdrafts shown as accounts payable in Proprietary and Fiduciary Funds

(37,494)

Total cash, cash equivalents and investments of the Primary Government

\$ 36,699,484

As a result of the pooling of cash of the primary government and component units, deposits and investments cannot be separated by entity for purposes of this note.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 3. Receivables

Receivables at June 30, 2004 for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Primary Government

	General Fund	General Capital Projects Fund	Nonmajor and Other Governmental Funds	Water and Sewer Fund	Smith Creek Water & Waste Authority	Solid Waste Fund	Nonmajor Proprietary Funds	Totals
Property taxes	\$ 3,981,486	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,981,486
Utility taxes	205,201	-	-	-	-	-	-	205,201
Trade and other accounts	139,249	265,294	27,312	423,624	14,099	304,971	5,069	1,179,618
Gross receivables	4,325,936	265,294	27,312	423,624	14,099	304,971	5,069	5,366,305
Less allowance for uncollectible accounts	(910,000)	-	-	(6,000)	(3,000)	(20,000)	-	(939,000)
Net receivables	\$ 3,415,936	\$ 265,294	\$ 27,312	\$ 417,624	\$ 11,099	\$ 284,971	\$ 5,069	\$ 4,427,305

Revenues of the Water and Sewer Fund and Solid Waste Fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are \$1,000 for the Water and Sewer Fund and \$3,000 for the Smith Creek Water & Waste Authority Fund.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	\$ 2,781,515	\$ -
Advance collection of 2004-2005 taxes (General Fund)	-	481,420
Intergovernmental (General Capital Projects Fund)	265,295	-
Other (General Fund)	3,453	-
	\$ 3,050,263	\$ 481,420

The County determines its allowance for uncollectible delinquent property tax accounts using historical collection data and specific account analysis. The allowance amounted to \$910,000 as of June 30, 2004 and is based on the following:

.54% of taxes levied during fiscal years ended June 30, 2002, 2003 and 2004	\$656,000
Real estate taxes 4-20 years delinquent	\$ 254,000

Component Units - School Board and Harrisonburg-Rockingham Social Services District

The component units' receivables are considered fully collectible and, therefore, an allowance for uncollectible accounts is not applicable for those receivables.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governments

Amounts due from other governments include the following:

Primary Government:

General Fund:

Commonwealth of Virginia:

Local sales taxes	\$ 642,623
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Non-categorical aid:

Personal property tax relief	21,528
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Categorical aid:

Shared costs:

Commonwealth Attorney	36,755
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Sheriff	412,330
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Clerk of circuit court	48,166
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Other	29,147
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Other categorical aid:

Methamphetamine grant	21,113
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Other	31,662
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Federal government:

Boarding and care of prisoners	54,785
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Categorical aid:

Weed and seed	17,938
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Community prosecution program	24,869
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Gun violence grant	11,818
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Ground safety transportation	7,007
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Other	4,645
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County of Augusta	14,173
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City of Harrisonburg	311,192
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Other governments	303,205
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Total General Fund	<u>1,992,955</u>
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Nonmajor Governmental Funds:

City of Harrisonburg	<u>1,102</u>
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Total Primary Government	<u>\$ 1,994,057</u>
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COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 4. Due From Other Governments (Continued)

Component Unit - School Board:

School Operating Fund:

Commonwealth of Virginia:

State sales tax receipts	\$ 1,590,855
Other state school funds	163,120

Federal government:

Education grants	830,757
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Other governments

12,989

Total School Operating Fund	<u>2,597,721</u>
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Total Component Unit - School Board	<u><u>\$ 2,597,721</u></u>
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Component Unit - Harrisonburg-Rockingham Social Services District:

Commonwealth of Virginia:

Comprehensive Services Act	\$ 553,928
Public assistance and administration	177,201
Other state funds	15,706

Federal government:

Public assistance and administration	<u>337,977</u>
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Total Component Unit - Harrisonburg-Rockingham Social Services District	<u><u>\$ 1,084,812</u></u>
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COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2004 is as follows:

Primary Government:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,198,581	\$ -	\$ -	\$ 3,198,581
Construction in progress	136,642	1,524,618	(63,889)	1,597,371
Total capital assets, not being depreciated	3,335,223	1,524,618	(63,889)	4,795,952
Capital assets, being depreciated:				
Buildings	19,715,701	-	-	19,715,701
Improvements other than buildings	501,104	1,083,306	63,889	1,648,299
Machinery and equipment	5,716,287	314,902	(530,409)	5,500,780
Total capital assets being depreciated	25,933,092	1,398,208	(466,520)	26,864,780
Less accumulated depreciation for:				
Buildings	(6,160,220)	(649,364)	-	(6,809,584)
Improvements other than buildings	(301,505)	(37,635)	-	(339,140)
Machinery and equipment	(4,637,165)	(423,552)	506,515	(4,554,202)
Total accumulated depreciation	(11,098,890)	(1,110,551)	506,515	(11,702,926)
Total capital assets being depreciated, net	14,834,202	287,657	39,995	15,161,854
Governmental activities capital assets, net	\$ 18,169,425	\$ 1,812,275	\$ (23,894)	\$ 19,957,806

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government administration	\$ 224,636
Judicial administration	222,100
Public safety	479,180
Public works	19,112
Health and social services	44,582
Parks, recreation and cultural	58,106
Community development	62,835
Total depreciation expense - governmental activities	\$ 1,110,551

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 703,464	\$ -	\$ (98,404)	\$ 605,060
Construction in progress	1,384,443	4,400,061	(987,646)	4,796,858
Total capital assets, not being depreciated	2,087,907	4,400,061	(1,086,050)	5,401,918
Capital assets, being depreciated:				
Buildings	135,513	7,419	(58,319)	84,613
Improvements other than buildings	26,952,133	847,601	982,646	28,782,380
Machinery and equipment	3,027,874	401,687	-	3,429,561
Total capital assets being depreciated	30,115,520	1,256,707	924,327	32,296,554
Less accumulated depreciation for:				
Buildings	(52,374)	(3,086)	3,888	(51,572)
Improvements other than buildings	(8,100,352)	(1,604,172)	500	(9,704,024)
Machinery and equipment	(1,946,024)	(249,427)	-	(2,195,451)
Total accumulated depreciation	(10,098,750)	(1,856,685)	4,388	(11,951,047)
Total capital assets being depreciated, net	20,016,770	(599,978)	928,715	20,345,507
Business-type activities capital assets, net	\$ 22,104,677	\$ 3,800,083	\$ (157,335)	\$ 25,747,425

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-type activities:	
Water and Sewer	\$ 482,273
Solid Waste	1,325,915
Smith Creek Water & Waste Authority	45,425
Lilly Subdivision Sanitary District	3,072
Total depreciation expense - business-type activities	\$ 1,856,685

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Component Unit - School Board:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,972,138	\$ -	\$ -	\$ 2,972,138
Construction in progress	164,942	3,547,080	-	3,712,022
Total capital assets, not being depreciated	3,137,080	3,547,080	-	6,684,160
Capital assets, being depreciated:				
Buildings	101,048,078	23,543	-	101,071,621
Improvements other than buildings	8,293,349	105,348	-	8,398,697
Machinery and equipment	19,458,683	1,017,117	(20,711)	20,455,089
Total capital assets being depreciated	128,800,110	1,146,008	(20,711)	129,925,407
Less accumulated depreciation for:				
Buildings	(38,277,395)	(3,036,993)	-	(41,314,388)
Improvements other than buildings	(7,233,553)	(232,752)	-	(7,466,305)
Machinery and equipment	(15,677,347)	(690,729)	20,711	(16,347,365)
Total accumulated depreciation	(61,188,295)	(3,960,474)	20,711	(65,128,058)
Total capital assets being depreciated, net	67,611,815	(2,814,466)	-	64,797,349
School capital assets, net	\$ 70,748,895	\$ 732,614	\$ -	\$ 71,481,509

Depreciation expense was charged to functions of the Component Unit - School Board as follows:

Instruction	\$ 3,466,170
Administration, attendance and health	39,233
Pupil transportation services	210,658
Operation and maintenance services	244,413
	<u>\$ 3,960,474</u>

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (Continued)

Component Unit - Harrisonburg-Rockingham Social Services District:

	Beginning Balance	Increases	(Deletions)/ Reclassifications	Ending Balance
Capital assets being depreciated:				
Improvements other than buildings	\$ 3,156	\$ -	\$ -	\$ 3,156
Equipment	247,881	26,764	-	274,645
Total capital assets being depreciated	251,037	26,764	-	277,801
Less accumulated depreciation for:				
Improvements other than buildings	(368)	(105)	-	(473)
Equipment	(159,107)	(33,350)	-	(192,457)
Total accumulated depreciation	(159,475)	(33,455)	-	(192,930)
Harrisonburg-Rockingham Social Services District capital assets, net	\$ 91,562	\$ (6,691)	\$ -	\$ 84,871

Depreciation expense was charged to the function of the Component Unit - Harrisonburg-Rockingham Social Services District as follows:

Administration - Welfare	\$ 33,455
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Note 6. Long-Term Obligations

The following is a summary of long-term liability activity of the primary government for the year ended June 30, 2004:

Primary Government:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and notes payable:					
General obligation bonds	\$ 33,457,927	\$ 5,077,993	\$ (3,286,245)	\$ 35,249,675	\$ 2,711,610
Literary fund loans	1,620,336	-	(241,950)	1,378,386	230,500
Lease revenue note payable	-	8,500,000	-	8,500,000	-
Capital leases	5,966,169	-	(402,180)	5,563,989	421,035
Unamortized premium	-	314,582	-	314,582	-
	41,044,432	13,892,575	(3,930,375)	51,006,632	3,363,145
Compensated absences	1,045,972	720,845	(707,539)	1,059,278	584,558
Governmental activities long-term liabilities	\$ 42,090,404	\$ 14,613,420	\$ (4,637,914)	\$ 52,065,910	\$ 3,947,703

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

Annual requirements to amortize long-term debt are as follows:

Year Ending June 30,	General Obligation Bonds		Literary Fund Loans		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 2,711,610	\$ 1,956,022	\$ 230,500	\$ 42,177	\$ 421,035	\$ 287,399
2006	2,724,414	1,751,095	230,500	35,067	440,530	267,042
2007	2,708,928	1,589,919	230,500	27,957	462,264	245,351
2008	2,712,202	1,433,357	193,000	20,847	485,116	221,712
2009	2,486,661	1,287,239	178,027	14,862	510,097	196,606
2010-2014	11,653,984	4,398,855	315,859	15,812	2,984,864	554,150
2015-2019	7,814,893	1,581,227	-	-	260,083	20,322
2020-2024	2,436,983	225,287	-	-	-	-
	<u>\$ 35,249,675</u>	<u>\$ 14,223,001</u>	<u>\$ 1,378,386</u>	<u>\$ 156,722</u>	<u>\$ 5,563,989</u>	<u>\$ 1,792,582</u>

General Obligation Bonds:

\$1,840,000 1990 series, issued August 1990, due in annual maturities of \$95,000 to \$120,000 through July 2010, plus interest at 6.4% to 7.1%

\$ 765,000

\$1,033,884 1992A series, issued November 1992, due in annual maturities of \$51,395 to \$63,848 through July 2012, plus interest at 4.90%

512,662

\$5,200,000 1992B series, issued December 1992, due in annual maturities of \$275,000 to \$295,000 through December 2012, plus interest at 5.1% to 8.1%

2,030,000

\$3,500,000 1993 series, issued November 1993, due in annual maturities of \$180,000 to \$200,000 through December 2013, plus interest at 4.475% to 5.0%

1,010,000

\$16,600,000 1994A series, issued December 1993, due in annual maturities of \$220,000 through December 2007, plus interest at 7.0% to 8.1%

880,000

\$3,800,000 1994A series, issued May 1994, due in annual maturities of \$195,000 through July 2013, plus interest at 6.1% to 6.3%

1,950,000

\$11,200,000 1996A series, issued May 1996, due in annual maturities of \$560,000 through July 2016, plus interest at 4.6% to 6.1%

7,280,000

\$7,471,945 1996B series, issued November 1996, due in annual maturities of \$351,513 to \$445,122 through July 2016, plus interest at 5.1% to 6.1%

5,157,076

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

General Obligation Bonds: (Continued)

\$8,421,223 1999A series, issued November 1999, due in annual maturities of \$379,799 to \$517,103 through July 2019, plus interest at 5.10% to 6.1%	\$ 6,941,541
\$4,190,343 2000 series, issued November 2000, due in annual maturities of \$186,726 to \$247,440 through July 2020, plus interest at 4.975% to 5.85%	3,645,403
\$5,077,993 2003 series, issued November 2003, due in annual maturities of \$217,177 to \$297,277 through July 2023, plus interest at 3.1% to 5.35%	<u>5,077,993</u>
Total General Obligation Bonds	\$ <u>35,249,675</u>

State Literary Fund Loans: (interest rate on all loans at 3% except as noted below)

\$750,000, issued July 1986, due in annual installments of \$37,500 through July 2006	\$ 112,500
\$136,274, issued October 1987, due in annual installments of \$7,000 through October 2007, plus interest at 4%	28,000
\$242,027 issued January 1989, due in annual installments of \$12,500 through January 2008, with final payment of \$4,527 on January 2009, plus interest at 4%	54,527
\$2,000,000, issued July 1989, due in annual installments of \$100,000 through July 2009	600,000
\$1,465,359, issued October 1991, due in annual installments of \$73,500 through October 2010, with final payment of \$68,859 on October 2011	<u>583,359</u>
Total State Literary Fund Loans	\$ <u>1,378,386</u>

Capital Leases:

Joint Judicial Complex:

Payments to the City of Harrisonburg Redevelopment and Housing Authority in annual installments ranging from \$352,500 to \$540,000 through June 2014, plus interest payable semi-annually ranging from 4.5%-5.0%	\$ 4,387,500
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Human Services Building:

Payments to the City of Harrisonburg Redevelopment and Housing Authority in semi-annual installments of \$70,101 through February 2016, including interest at 6.08%	<u>1,176,489</u>
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Total Capital Leases

\$ 5,563,989

Lease Revenue Note Payable:

\$8,500,000 lease revenue note payable, issued April 29, 2004, due in fiscal year 2006, plus interest at 1.52%	<u>\$ 8,500,000</u>
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COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

Pursuant to Article VII, Section 10, (b) of the Constitution of Virginia, no debt shall be contracted by or on behalf of any county or district thereof unless approved by a majority vote of the qualified voters of said county. There is no limit on the amount of debt which a county may incur. Repayment of the capital leases will be funded through the General Fund. Repayment of the revenue bonds will be funded through the Water and Sewer Fund and the Smith Creek Water and Waste Authority.

The capital leases with the City of Harrisonburg Redevelopment and Housing Authority are a result of Public Facility Lease Revenue Bonds issued under a Trust Agreement among the County of Rockingham, Virginia, the City of Harrisonburg, Virginia, and SunTrust Bank and Wachovia Securities, as Trustees. The bonds associated with the first capital lease were issued to refund bonds used to finance the acquisition and construction of a Joint Judicial Complex which the Housing Authority leases to the County and the City under a lease agreement. The second capital lease bonds were issued to finance the acquisition, construction and equipping of a human services building.

The assets acquired through capital leases, included in the Statement of Net Assets, are as follows:

	Governmental Activities	
	Joint Judicial Complex	Human Services Building
Capital assets:		
Land	\$ 1,254,155	\$ 162,300
Buildings	9,419,396	1,311,904
Improvements other than buildings	-	8,518
Machinery and equipment	156,767	84,132
Less: accumulated depreciation	(3,246,429)	(463,078)
	<u>\$ 7,583,889</u>	<u>\$ 1,103,776</u>

The following is a summary of long-term liability activity for the County's business-type activities:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	\$ 2,410,071	\$ 4,705,662	\$ (411,375)	\$ 6,704,358	\$ 3,269,216
Landfill obligation	3,174,899	580,383	-	3,755,282	49,920
Compensated absences	104,501	106,492	(80,770)	130,223	62,522
Business-type activities long-term liabilities	<u>\$ 5,689,471</u>	<u>\$ 5,392,537</u>	<u>\$ (492,145)</u>	<u>\$ 10,589,863</u>	<u>\$ 3,381,658</u>

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

Annual requirements to amortize long-term debt are as follows:

Year Ending June 30,	Revenue Bonds	
	Principal	Interest
2005	\$ 3,267,216	\$ 114,537
2006	159,701	120,763
2007	167,261	115,873
2008	174,899	110,545
2009	177,616	104,813
2010-2014	911,801	429,159
2015-2019	923,163	270,799
2020-2024	897,039	85,304
	<u>\$ 6,678,696</u>	<u>\$ 1,351,793</u>

Water and Sewer Fund:

Infrastructure Revenue Bonds (Virginia Pooled Financing Program):

\$1,580,000 issued June 2004, due in annual installments of \$60,000 to \$100,000 through October 2023, plus interest payable semi-annually ranging from 2.9%-5.1%

\$ 1,580,000

Smith Creek Water & Waste Authority

Virginia Revolving Loan Fund:

\$2,078,500 issued November 2001, due in semi-annual installments of \$70,782 through September 2022, including interest at 3.0%

1,998,696

Tax-Exempt Interim Note:

\$3,100,000 issued July 2003, due in fiscal year 2005, with interest at 1.41%

3,100,000

6,678,696

25,662

Plus unamortized premium

\$ 6,704,358

Information relative to the County's landfill obligation is contained in Note 12.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Obligations (Continued)

The following is a summary of long-term debt transactions of the Component Unit - School Board, for the year ended June 30, 2004:

Component Unit - School Board:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Note payable	\$ 30,103	\$ -	\$ (30,103)	\$ -	\$ -
Post-retirement benefits	36,280	-	-	36,280	-
Compensated absences	2,897,123	2,526,832	(2,755,523)	2,668,432	1,471,097
	<u>\$ 2,963,506</u>	<u>\$ 2,526,832</u>	<u>\$ (2,785,626)</u>	<u>\$ 2,704,712</u>	<u>\$ 1,471,097</u>

In addition to providing pension benefits, the Component Unit - School Board provides partial payment of health insurance premiums for school employees who retire before they reach age 65 provided they have been employed by the School for ten consecutive years. This benefit continues until the employee reaches age 65. The School Board pays \$10 per month per individual.

For the year ended June 30, 2004, there were 86 participants and the School Board recognized an expenditure of \$10,710.

The following is a summary of long-term transactions of the Component Unit - Harrisonburg-Rockingham Social Services District, for the year ended June 30, 2004:

Component Unit - Harrisonburg-Rockingham Social Services District:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Compensated absences	\$ 218,565	\$ 154,756	\$ (140,053)	\$ 233,268	\$ 126,727

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 7. Government Services Provided by Authorities

The County of Rockingham, the City of Harrisonburg and the Towns of Bridgewater, Dayton, and Mt. Crawford entered into a guaranty agreement with the Harrisonburg-Rockingham Regional Sewer Authority dated December 15, 1992. Under the terms of this agreement, these municipalities jointly and severally guaranteed the Authority's 1992 Sewer Revenue Bonds, Series A, in the original amount of \$20,555,000 to upgrade and expand its treatment plant and refinance existing debt. In March 1998, the Authority issued \$16,520,000 Sewer System Revenue Refunding Bonds, Series 1998. Proceeds from the sale of the 1998 Bonds are escrowed to refund \$15,250,000 principal amount of the 1992 Term Bonds. In 2003, the Authority issued \$1,452,800 Sewer System Revenue Refunding Bonds, Series 2003, of which \$800,000 was for capital improvements with the remainder used to retire existing bonds.

The 1992 bond issue consists of Serial Bonds and Term Bonds. The Serial Bonds outstanding of \$530,000 are to be retired in 2005. The outstanding Serial Bonds bear interest at 5.75%. The Term Bond outstanding bears interest at 5.90% and is to be retired in a principal installment of \$5,000 in 2007.

The 1998 bond issue consists of Serial Bonds and Term Bonds. The Serial Bonds of \$5,625,000 are to be retired in annual principal installments increasing from \$90,000 in 2005 to \$900,000 in 2013. The Serial Bonds bear interest at annual rates ranging from 4.25% currently to 4.875% at maturity in 2013. The Term Bonds bear interest at 5.00% and are to be retired in principal installments of \$5,230,000 in 2018 and \$5,205,000 in 2022.

The 2003 bond issue consists of serial bonds of \$1,269,615 which are to be retired in monthly principal installments increasing from \$13,319 to \$40,852. The bonds bear interest at 2.22% and mature in 2008.

The County is obligated for 3.407% of the above debt service.

The Authority bills the localities a monthly charge which includes an assessment for their respective shares of the Authority's debt service and operating expenditures based on the locality usage of the sewage treatment facilities. Based on the current average usage, the County's assessment for the Authority's operating and debt service expenditures for the ensuing year will approximate \$183,000 and \$40,800, respectively.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan

A. Plan Description

Name of Plan: Virginia Retirement System (VRS)

Identification of Plan: Agent and Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

Administering Entity: Virginia Retirement System (System)

The County of Rockingham, and its component units, the Harrisonburg-Rockingham Social Services District and the Rockingham County School Board, contribute to the Virginia Retirement System (VRS), an agent and cost sharing multiple-employer defined benefit pension plan administered by the VRS.

All full-time, salaried permanent employees of participating employers must participate in the VRS. Benefits vest after five years of service. Employees are eligible for an unreduced retirement benefit at age 65 with 5 years of service (age 60 for participating local law enforcement officers and firefighters) or at age 50 with at least 30 years of service if elected by the employer (age 50 with at least 25 years of service for participating local law enforcement officers, firefighters and sheriffs) payable monthly for life in an amount equal to 1.7 percent of their average final compensation (AFC) for each year of credited service. Benefits are actuarially reduced for retirees who retire prior to becoming eligible for full retirement benefits. In addition, retirees qualify for annual cost-of-living increases limited to 5% per year beginning in their second year of retirement. AFC is defined as the highest consecutive 36 months of reported compensation. Participating local law enforcement officers, firefighters and sheriffs may receive a monthly benefit supplement if they retire prior to age 65. The VRS also provides death and disability benefits. Title 51.1 of the *Code of Virginia* (1950), as amended, assigns the authority to establish and amend benefit provisions to the General Assembly of Virginia.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for VRS. A copy of that report may be downloaded from their website at <http://www.varetire.org/pdf/2003annurept.pdf> or obtained by writing to the System at P. O. Box 2500, Richmond, Virginia, 23218-2500.

B. Funding Policy

Plan members are required by Title 51.1 of the *Code of Virginia* (1950), as amended, to contribute 5% of their annual reported salary to the VRS. This 5% member contribution has been assumed by the County, the Harrisonburg-Rockingham Social Services District, and the School Board. In addition, the County, the Harrisonburg-Rockingham Social Services District, and the School Board are required to contribute the remaining amounts necessary to fund their participation in the VRS using the actuarial basis specified by the *Code of Virginia* and approved by the VRS Board of Trustees. For the fiscal year ended June 30, 2004, the contribution rate for the County and Harrisonburg-Rockingham Social Services District was 10.00% and for the School Board's non-professional employees was 6.00% of annual covered payroll.

For the years ended June 30, 2004, 2003 and 2002, total employer and employee contributions made to the VRS statewide teacher cost-sharing pool for professional employees by the School Board were \$3,990,609, \$3,822,923 and \$3,598,296, respectively, and were equal to 100% of the required contribution for professional employees for each year.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 8. Defined Benefit Pension Plan (Continued)

C. Annual Pension Cost (APC)

For fiscal year 2004, the County, Harrisonburg-Rockingham Social Services District, and the School Board's non-professional employees annual pension costs of \$1,865,834 were equal to the required and actual contributions. The required contributions were determined as part of the June 30, 2001 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return, (b) projected salary increases ranging from 4% to 7% per year, and (c) 3% per year cost-of-living adjustment. Both (a) and (b) included an inflation component of 3%. The actuarial value of the assets is equal to the modified market value of assets. This method uses techniques that smooth the effects of short-term volatility in the market value of assets over a five-year period. The County, Harrisonburg-Rockingham Social Services District, and the School Board's non-professional employees unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis within a period of 30 years or less.

Three-year trend information for the County and the Component Unit - Harrisonburg-Rockingham Social Services District is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2004	\$ 1,525,111	100%	\$ -
June 30, 2003	1,467,413	100%	-
June 30, 2002	1,383,691	100%	-

The Harrisonburg-Rockingham Social Services District and the County contribute to a combined account. Therefore, separate annual pension cost for this component unit and the primary government are not available.

Three-year trend information for the Component Unit - School Board non-professional employees, is as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2004	\$ 340,723	100%	\$ -
June 30, 2003	324,360	100%	-
June 30, 2002	414,144	100%	-

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 9. Advances To/From Other Funds

Interfund balances as of June 30, 2004 are as follows:

Payable Fund	Receivable Fund
	General Fund:
Water and Sewer	\$ 745,000
Solid Waste	671,877
Lilly Subdivision Sanitary District	150,000
Total	\$ 1,566,877

The advance from the General Fund to the Water and Sewer Fund is an interest bearing loan to aid in the construction of a water filtration plant and is to be repaid through 2014 with principal payments ranging from \$50,000 to \$95,000 annually plus interest at 5.5%. The advance from the General Fund to the Solid Waste Fund is a five-year loan with interest at 6% to finance the County's share of the construction of a new cell at the landfill. The advance from the General Fund to the Lilly Subdivision Sanitary District is to be repaid through 2024 with annual principal payments of \$6,500 plus interest at 3.25%.

Note 10. Interfund Transfers

A summary of interfund transfer activity is presented as follows:

	Transfer From Fund:			Total Transferred In
	General Fund	General Capital Projects Fund	Joint Judicial Complex	
Transfer To Fund:				
Primary government:				
Governmental activities:				
General Fund	\$ -	\$ -	\$ 23,340	\$ 23,340
General Capital Projects Fund	6,574,500	-	-	6,574,500
E-911 Fund	259,443	-	-	259,443
Business-type activities:				
Water and Sewer Fund	665,117	70,450	-	735,567
Countryside Sanitary District Fund	75,000	-	-	75,000
Total Transferred Out	\$ 7,574,060	\$ 70,450	\$ 23,340	\$ 7,667,850

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 10. Interfund Transfers (Continued)

The transfer from the Joint Judicial Complex to the General Fund was for the reduction of principal and interest paid on the Joint Judicial Complex debt.

The transfer from the General Fund to the General Capital Projects Fund was for capital project expenditures.

The transfer from the General Fund to the E-911 Fund was for capital expenditures related to the upgrade of E911 equipment.

The transfers from the General Fund and the General Capital Projects Fund to the Water and Sewer Fund were to transfer funds for the extension of water and sewer service.

The transfer from the General Fund to the Countryside Sanitary District was to provide funding for the new water line construction for the District.

Note 11. Surety Bonds

Primary Government:

	<u>Amount</u>
Fidelity and Deposit Company of Maryland:	
Constitutional Officers	
L. Wayne Harper, Clerk of the Circuit Court	\$ 25,000
L. Todd Garber, Treasurer	750,000
Richard E. Connelley, Commissioner of the Revenue	3,000
Donald W. Farley, Sheriff	30,000
The above Constitutional Officers' employees – blanket bond	500,000
Public Officials Employees Comprehensive, Dishonesty, Disappearance, and Destruction Policy	1,000,000
Comprehensive Money and Securities and Depositors Forgery Policy	1,000,000
St. Paul Seaboard Surety/Fidelity and Deposit Co. of Maryland – Surety:	
Dee E. Floyd, Supervisor	1,000
Charles W. Ahrend, Chairman, Board of Supervisors	1,000
Michael A. Breeden, Supervisor	1,000
William B. Kyger, Jr., Supervisor	1,000
Pablo Cuevas, Vice-Chairman, Board of Supervisors	1,000
Jennifer Hoover, Director of Public Works	1,000
Commonwealth of Virginia:	
Law Enforcement Liability Insurance	1,000,000
Public Officials Liability Insurance	1,000,000

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 11. Surety Bonds (Continued)

Component Units:

School Board:

VML:

School District Legal Liability	\$	6,000,000
School Employees Comprehensive Dishonesty, Disappearance, and Destruction Policy		250,000

Harrisonburg-Rockingham Social Services District:

Fidelity and Deposit Company of Maryland:

Social Services District Employees Comprehensive Dishonesty, Disappearance, and Destruction Policy		250,000
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Commonwealth of Virginia:

Public Officials Liability Insurance		1,000,000
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Note 12. Landfill Closure and Postclosure Care Cost

Effective July 1, 1994, the County and the City of Harrisonburg entered into an agreement to operate a consolidated landfill. Under the terms of the agreement, the operating costs of the landfill are to be funded through fees and charges of the landfill. The closure capital costs are to be funded through fees and charges of the landfill. The remaining capital costs will be funded by the County and the City based on their respective usage before the agreement and based on their respective share of the total population after the agreement.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Solid Waste Fund reports a portion of these closure and postclosure care costs as an operating expense in each period based on the landfill capacity used as of each balance sheet date. This liability has been calculated for only the County's share of the capital cost, which amounts to approximately 72% at June 30, 2004. The \$3,755,282 reported as landfill closure and postclosure care liability at June 30, 2004, represents the cumulative amount reported to date based on the use of 100% of the landfill's old cell, and the use of 39.5% of the landfill's new cell. The Solid Waste Fund will report the County's estimated liability of closure and postclosure care of \$2,750,000 for the new cell as the remaining estimated capacity is filled. These amounts are based on the cost to perform all closure and postclosure care in 2004. The County closed the landfill's old cell in 2001 and expects to begin closing the new cell in 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City of Harrisonburg is responsible for the remaining 28% of the landfill closure and postclosure care liability as of June 30, 2004 estimated at \$1,443,000.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 13. Risk Management

The County and its component units are exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and others; and natural disasters. To reduce insurance costs and the need for self-insurance, the County has joined together with other municipalities in the Commonwealth of Virginia in several public entity risk pools that operate as common risk management and insurance programs for member municipalities. The County is not self-insured.

The County has coverage with the Virginia Association of Counties Group Self Insurance Association (Association) for workers' compensation. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The County pays the Association contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid. In the event of a loss deficit and depletion of all available excess insurance, the Association may assess all members the proportion in which the premium of each bears to the total premiums of all members in the year in which such deficit occurs.

The County continues to carry commercial insurance for all other risks of losses. Settled claims from these risks have not exceeded commercial coverage in any of the last three fiscal years.

Note 14. Pending GASB Statements

At June 30, 2004, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the County. The statements which might impact the County are as follows:

GASB Statement 40, *Deposit and Investment Risk Disclosures*, an amendment of GASB Statement No. 3, requires certain disclosures of investments that are highly sensitive to interest rate risk and modifies custodial credit risk disclosures of Statement No. 3. The provisions of Statement No. 40 will be effective for periods beginning after June 15, 2004.

GASB Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences* – an amendment of GASB Statement No. 34, clarifies the budgetary presentation requirements.

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries* requires evaluation and reporting the effects of capital asset impairments and insurance recoveries when they occur. The provisions of Statement No. 42 will be effective for fiscal years beginning after December 15, 2004.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* provides uniform financial reporting standards for OPEB (Other Postemployment Benefit) plans. The provisions of Statement No. 43 will be effective for periods beginning after December 15, 2007.

GASB Statement No. 44, *Economic Condition Reporting: the Statistical Section, an amendment of NCGA Statement No. 1*, clarifies and establishes objectives of the statistical section and its five categories of information: financial trends, revenue capacity, debt capacity, demographic and economic, and operating.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and required supplemental information. Statement No. 45 will be effective for periods beginning after December 15, 2008.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTES TO FINANCIAL STATEMENTS

Note 15. Summary Disclosure of Significant Commitments and Contingencies

Subsequent to June 30, 2004, the County entered into two contracts totaling approximately \$1.375 million for a water line extension and construction of a storage tank.

Federal and State-Assisted Programs

The County has received proceeds from several federal and state grant programs. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that any required refunds will be immaterial. Based on past experience, no provision has been made in the accompanying financial statements for the refund of grant monies.



REQUIRED SUPPLEMENTARY INFORMATION



COUNTY OF ROCKINGHAM, VIRGINIA AND COMPONENT UNIT

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued (Asset) Liability	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued (Asset) Liability as a Percentage of Covered Payroll
A. Primary Government and Harrisonburg-Rockingham Social Services District, a component unit - employees:						
June 30, 2001	\$ 30,538,549	\$ 28,391,459	\$ (2,147,090)	107.56%	\$ 12,893,998	(16.65%)
June 30, 2002	32,619,395	31,512,355	(1,107,040)	103.51%	14,102,359	(7.85%)
June 30, 2003	34,190,038	34,959,573	769,535	97.80%	14,664,074	5.25%
B. Component Unit - School Board non-professional employees:						
June 30, 2001	\$ 15,128,969	\$ 12,303,229	\$ (2,825,740)	122.97%	\$ 4,679,155	(60.39%)
June 30, 2002	15,679,792	13,557,596	(2,122,196)	115.65%	5,141,227	(41.28%)
June 30, 2003	15,787,580	15,129,981	(657,599)	104.35%	5,756,615	(11.42%)



SUPPLEMENTARY INFORMATION



NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

E911 Fund – This fund is used to account for funds designated for the E911 emergency telephone system. This fund is financed in accordance with the provisions of Section 58.1-3813.1 of the *Code of Virginia*, 1950, as amended, which permits a county to levy a utility tax on users of local telephone services. The monthly tax rate is currently set at \$.84 per access line.

Asset Forfeiture Fund – This fund is used to account for confiscated funds collected for law enforcement purposes.

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Joint Judicial Complex – This fund is used to account for financial resources established as a debt service reserve for one-half of the maximum annual debt service payment for the lease reserve bonds issued to permit the construction of a new jail and a lower courts complex built jointly by the City of Harrisonburg, Virginia and the County of Rockingham, Virginia. The amounts included in the combining statements reflect the County's share (50%) of this project.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Albert K. Long Trust – This fund is used to account for the trust principal amount received and the related interest income. The interest portion of the trust can be used for upkeep and maintenance of the Albert K. Long Park.

COUNTY OF ROCKINGHAM, VIRGINIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004**

	Special Revenue			Capital Projects	Permanent Fund	Total
	E911	Asset Forfeiture	Totals	Joint Judicial Complex	Albert K. Long Trust	Nonmajor Governmental Funds
	Fund	Fund				
ASSETS						
Cash, cash equivalents and temporary cash investments	\$ 159,559	\$ 76,508	\$ 236,067	\$ 464	\$ -	\$ 236,531
Trade and other accounts receivable	25,750	-	25,750	-	-	25,750
Accrued interest	414	230	644	78	58	780
Due from other governments	1,102	-	1,102	-	-	1,102
Restricted cash	-	-	-	284,337	18,749	303,086
Total assets	\$ 186,825	\$ 76,738	\$ 263,563	\$ 284,879	\$ 18,807	\$ 567,249
LIABILITIES						
Accounts payable	\$ 120,422	\$ 9,878	\$ 130,300	\$ -	\$ -	\$ 130,300
Accrued payroll	-	723	723	-	-	723
Total liabilities	120,422	10,601	131,023	-	-	131,023
FUND BALANCES						
Reserved for:						
Nonexpendable trust principal	-	-	-	-	11,143	11,143
Expendable:						
Park maintenance	-	-	-	-	7,664	7,664
E911	66,403	-	66,403	-	-	66,403
Law enforcement	-	66,137	66,137	-	-	66,137
Debt service	-	-	-	284,337	-	284,337
Unreserved:						
Designated for subsequent years' expenditures	-	-	-	542	-	542
Total fund balances	66,403	66,137	132,540	284,879	18,807	436,226
Total liabilities and fund balances	\$ 186,825	\$ 76,738	\$ 263,563	\$ 284,879	\$ 18,807	\$ 567,249

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS Year Ended June 30, 2004

	Special Revenue			Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
	E911 Fund	Asset Forfeiture Fund	Totals	Joint Judicial Complex	Albert K. Long Trust	
Revenues:						
Other local taxes	\$ 362,622	\$ -	\$ 362,622	\$ -	\$ -	\$ 362,622
Fines and forfeitures	-	81,904	81,904	-	-	81,904
Use of money and property	1,933	943	2,876	24,365	207	27,448
Total revenues	364,555	82,847	447,402	24,365	207	471,974
Expenditures:						
Current:						
Public safety	826,550	85,933	912,483	-	-	912,483
Debt service:						
Interest and fiscal charges	-	-	-	1,022	-	1,022
Total expenditures	826,550	85,933	912,483	1,022	-	913,505
Revenues over (under) expenditures	(461,995)	(3,086)	(465,081)	23,343	207	(441,531)
Other financing sources (uses):						
Transfers in	259,443	-	259,443	-	-	259,443
Transfers out	-	-	-	(23,340)	-	(23,340)
Total other financing sources (uses), net	259,443	-	259,443	(23,340)	-	236,103
Net change in fund balances	(202,552)	(3,086)	(205,638)	3	207	(205,428)
Fund balance, beginning	268,955	69,223	338,178	284,876	18,600	641,654
Fund balance, ending	\$ 66,403	\$ 66,137	\$ 132,540	\$ 284,879	\$ 18,807	\$ 436,226



NONMAJOR PROPRIETARY FUNDS

Lilly Subdivision Sanitary District – This fund is used to account for the provision of water and sewer services to the Lilly Subdivision Sanitary District, a blended component unit.

Countryside Sanitary District – This fund is used to account for the provision of water and sewer services to the Countryside Sanitary District, a blended component unit.

COUNTY OF ROCKINGHAM, VIRGINIA

**COMBINING STATEMENT OF NET ASSETS
NONMAJOR PROPRIETARY FUNDS**

June 30, 2004

	Lilly Subdivision Sanitary District	Countryside Sanitary District	Total Nonmajor Proprietary Funds
ASSETS			
Current assets:			
Cash, cash equivalents and temporary cash investments	\$ 13,975	\$ 64,039	\$ 78,014
Trade and other accounts receivable	4,412	657	5,069
Accrued interest	-	82	82
Total current assets	18,387	64,778	83,165
Noncurrent assets:			
Capital assets:			
Land	20,600	-	20,600
Buildings	8,900	-	8,900
Improvements other than buildings	139,484	-	139,484
Machinery and equipment	5,470	-	5,470
Construction in progress	-	13,511	13,511
Less accumulated depreciation	(37,728)	-	(37,728)
Total noncurrent assets	136,726	13,511	150,237
Total assets	155,113	78,289	233,402
LIABILITIES			
Current liabilities:			
Accounts payable	1,671	1,275	2,946
Advance from other funds	150,000	-	150,000
Total liabilities	151,671	1,275	152,946
NET ASSETS			
Invested in capital assets	136,726	13,511	150,237
Unrestricted (deficit)	(133,284)	63,503	(69,781)
Total net assets	\$ 3,442	\$ 77,014	\$ 80,456

COUNTY OF ROCKINGHAM, VIRGINIA

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2004**

	Lilly Subdivision Sanitary District	Countryside Sanitary District	Total Nonmajor Proprietary Funds
Operating revenues:			
Charges for services	\$ 31,909	\$ 5,409	\$ 37,318
Other revenue	50	-	50
Total operating revenues	31,959	5,409	37,368
Operating expenses:			
Contractual services	15,398	4,426	19,824
Electrical services	5,229	373	5,602
Water and sewer services	853	-	853
Repairs and maintenance	148	-	148
Other charges	7,303	304	7,607
Depreciation and amortization	3,072	-	3,072
Total operating expenses	32,003	5,103	37,106
Operating income (loss)	(44)	306	262
Nonoperating revenue:			
Interest revenue	62	104	166
Total nonoperating revenue	62	104	166
Income before transfers	18	410	428
Transfers in	-	75,000	75,000
Change in net assets	18	75,410	75,428
Total net assets, beginning	3,424	1,604	5,028
Total net assets, ending	\$ 3,442	\$ 77,014	\$ 80,456

COUNTY OF ROCKINGHAM, VIRGINIA

STATEMENT OF CASH FLOWS NONMAJOR PROPRIETARY FUNDS Year Ended June 30, 2004

	Lilly Subdivision Sanitary District	Countryside Sanitary District	Total Nonmajor Proprietary Funds
Cash Flows From Operating Activities:			
Receipts from customers	\$ 31,419	\$ 5,377	\$ 36,796
Payments to suppliers for goods and services	(70,643)	(4,155)	(74,798)
Other payments	(7,253)	(304)	(7,557)
Net cash provided by (used in) operating activities	(46,477)	918	(45,559)
Cash Flows From Capital and Related Financing Activities:			
Advance from other fund	60,000	-	60,000
Transfer from other funds for capital purposes	-	75,000	75,000
Acquisition and construction of capital assets	-	(13,511)	(13,511)
Net cash provided by capital and related financing activities	60,000	61,489	121,489
Cash Flows From Investing Activities:			
Interest received on investment securities	452	28	480
Net increase in cash and cash equivalents	13,975	62,435	76,410
Cash and cash equivalents:			
Beginning	-	1,604	1,604
Ending	\$ 13,975	\$ 64,039	\$ 78,014
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (44)	\$ 306	\$ 262
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,072	-	3,072
Change in assets and liabilities:			
Increase in accounts receivable	(490)	(32)	(522)
Increase (decrease) in accounts payable	(49,015)	644	(48,371)
Net cash provided by (used in) operating activities	\$ (46,477)	\$ 918	\$ (45,559)

FIDUCIARY FUNDS

Special Welfare – This fund is used to account for assets held by the County for individuals under custody of the Social Services District.

Employee Benefits – This fund is used to account for assets held by the County for employees selecting voluntary benefits through payroll deductions and benefits provided through COBRA.

Rockingham County Industrial Development Authority – This fund is used to account for assets held by the County for the Rockingham County Industrial Development Authority.

Bond Escrow – This fund is used to account for subdivision, sediment and erosion control bonds held by the County for developers.

Disability Services Board – This fund is used to account for assets held by the County for the Disability Services Board.

Community Association for Rural Transportation – This fund is used to account for assets held by the County for the Community Association for Rural Transportation.

Massanutten Technical Center – This fund is used to account for assets held by the County for the Massanutten Technical Center.

Upper Valley Regional Park Authority – This fund is used to account for assets held by the County for the Upper Valley Regional Park Authority.

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

June 30, 2004

	Agency Funds								Totals
	Special Welfare	Employee Benefits	Rockingham County Industrial Development Authority	Bond Escrow	Disability Services Board	Community Association for Rural Transportation	Massanutten Technical Center	Upper Valley Regional Park Authority	
ASSETS									
Cash, cash equivalents and temporary cash investments	\$ 113,838	\$ 48,644	\$ 29,801	\$ 1,191,232	\$ 12,766	\$ -	\$ 469,630	\$ 124,954	\$ 1,990,865
Accounts receivable	-	19,811	80	3,530	40	7,476	3,552	-	34,489
Total assets	\$ 113,838	\$ 68,455	\$ 29,881	\$ 1,194,762	\$ 12,806	\$ 7,476	\$ 473,182	\$ 124,954	\$ 2,025,354
LIABILITIES									
Accounts payable	\$ 113,838	\$ 68,455	\$ 29,881	\$ 1,194,762	\$ 12,806	\$ 7,476	\$ 473,182	\$ 124,954	\$ 2,025,354
Total liabilities	\$ 113,838	\$ 68,455	\$ 29,881	\$ 1,194,762	\$ 12,806	\$ 7,476	\$ 473,182	\$ 124,954	\$ 2,025,354

COUNTY OF ROCKINGHAM, VIRGINIA

Page 1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES ALL AGENCY FUNDS Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
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SPECIAL WELFARE

ASSETS

Cash, cash equivalents and temporary
cash investments

\$	71,422	\$	255,308	\$	212,892	\$	113,838
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LIABILITIES

Accounts payable

\$	71,422	\$	255,308	\$	212,892	\$	113,838
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EMPLOYEE BENEFITS

ASSETS

Cash, cash equivalents and temporary
cash investments

\$	-	\$	71,986	\$	23,342	\$	48,644
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Accounts receivable

	15,877		3,934		-		19,811
--	--------	--	-------	--	---	--	--------

Total assets

\$	15,877	\$	75,920	\$	23,342	\$	68,455
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LIABILITIES

Accounts payable

\$	15,877	\$	75,920	\$	23,342	\$	68,455
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ROCKINGHAM COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

ASSETS

Cash, cash equivalents and temporary
cash investments

\$	22,680	\$	14,207	\$	7,086	\$	29,801
----	--------	----	--------	----	-------	----	--------

Accounts receivable

	53		27		-		80
--	----	--	----	--	---	--	----

Total assets

\$	22,733	\$	14,234	\$	7,086	\$	29,881
----	--------	----	--------	----	-------	----	--------

LIABILITIES

Accounts payable

\$	22,733	\$	14,234	\$	7,086	\$	29,881
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COUNTY OF ROCKINGHAM, VIRGINIA

Page 2

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>BOND ESCROW</u>				
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 314,253	\$ 976,344	\$ 99,365	\$ 1,191,232
Accounts receivable	702	2,828	-	3,530
Total assets	\$ 314,955	\$ 979,172	\$ 99,365	\$ 1,194,762
LIABILITIES				
Accounts payable	\$ 314,955	\$ 979,172	\$ 99,365	\$ 1,194,762

DISABILITY SERVICES BOARD

ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 13,733	\$ 30,437	\$ 31,404	\$ 12,766
Accounts receivable	3,291	-	3,251	40
Total assets	\$ 17,024	\$ 30,437	\$ 34,655	\$ 12,806
LIABILITIES				
Accounts payable	\$ 17,024	\$ 30,437	\$ 34,655	\$ 12,806

COMMUNITY ASSOCIATION FOR RURAL TRANSPORTATION

ASSETS				
Cash, cash equivalents and temporary cash investments	\$ -	\$ 414,464	\$ 414,464	\$ -
Accounts receivable	22,174	-	14,698	7,476
Total assets	\$ 22,174	\$ 414,464	\$ 429,162	\$ 7,476
LIABILITIES				
Accounts payable	\$ 22,174	\$ 414,464	\$ 429,162	\$ 7,476

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<u>MASSANUTTEN TECHNICAL CENTER</u>				
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 459,092	\$ 4,235,925	\$ 4,225,387	\$ 469,630
Accounts receivable	15,354	-	11,802	3,552
Total assets	\$ 474,446	\$ 4,235,925	\$ 4,237,189	\$ 473,182
LIABILITIES				
Accounts payable	\$ 474,446	\$ 4,235,925	\$ 4,237,189	\$ 473,182

UPPER VALLEY REGIONAL PARK AUTHORITY

ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 107,655	\$ 598,933	\$ 581,634	\$ 124,954
Accounts receivable	3,311	-	3,311	-
Total assets	\$ 110,966	\$ 598,933	\$ 584,945	\$ 124,954
LIABILITIES				
Accounts payable	\$ 110,966	\$ 598,933	\$ 584,945	\$ 124,954

TOTALS - ALL AGENCY FUNDS

ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 988,835	\$ 6,597,604	\$ 5,595,574	\$ 1,990,865
Accounts receivable	60,762	6,789	33,062	34,489
Total assets	\$ 1,049,597	\$ 6,604,393	\$ 5,628,636	\$ 2,025,354
LIABILITIES				
Accounts payable	\$ 1,049,597	\$ 6,604,393	\$ 5,628,636	\$ 2,025,354



DISCRETELY PRESENTED COMPONENT UNIT – SCHOOL BOARD

School Operating Fund – This fund accounts for the operations of the School Board. Financing is provided by specific allocations from state and federal governments, and by appropriations from the primary government by the Board of Supervisors.

School Cafeteria Fund – This fund accounts for the operations of the centralized school cafeteria operations.

School Capital Projects Fund – This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities of the School Board, other than those financed by the Massanutten Technical Center.

School Activity Funds – This fund accounts for the activity funds at each individual school.

School Textbook Fund – This fund accounts for the operations of the centralized school textbook operation.

Massanutten Technical Center – Operating Fund – This fund accounts for the general operations of the Massanutten Technical Center.

Massanutten Technical Center – Activity Fund – This fund accounts for activities to raise funds for school use. The Massanutten Technical Center Funds are under control of the Massanutten Technical Center Board of Control appointed by the Rockingham County School Board and Harrisonburg City School Board.

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING BALANCE SHEET

DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

June 30, 2004

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Activity Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash, cash equivalents and temporary cash investments	\$ 6,561,700	\$ 952,142	\$ 4,039,012	\$ 760,163	\$ 1,058,662	\$ 13,371,679
Trade and other accounts receivable	113,596	2,388	-	17,868	19,125	152,977
Accrued interest	-	2,708	10,810	-	1,641	15,159
Due from other governments	2,597,721	-	-	-	-	2,597,721
Prepaid items	-	-	-	5,638	-	5,638
Inventory	33,257	-	-	-	149,308	182,565
Restricted cash	-	-	7,124,235	-	-	7,124,235
Total assets	\$ 9,306,274	\$ 957,238	\$ 11,174,057	\$ 783,669	\$ 1,228,736	\$ 23,449,974
LIABILITIES						
Accounts payable	\$ 969,812	\$ 27,899	\$ 2,163,128	\$ 26,340	\$ 240,988	\$ 3,428,167
Accrued payroll	8,336,462	275,100	2,655	-	146,049	8,760,266
Due to other government	-	-	-	-	92,844	92,844
Total liabilities	9,306,274	302,999	2,165,783	26,340	479,881	12,281,277
FUND BALANCES						
Reserved for:						
Inventory	33,257	-	-	-	149,308	182,565
Unreserved:						
Designated for subsequent years' expenditures	(33,257)	654,239	9,008,274	757,329	599,547	10,986,132
Total fund balances	-	654,239	9,008,274	757,329	748,855	11,168,697
Total liabilities and fund balances	\$ 9,306,274	\$ 957,238	\$ 11,174,057	\$ 783,669	\$ 1,228,736	\$ 23,449,974

Fund balances \$ 11,168,697

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 136,609,567
Less accumulated depreciation	(65,128,058)
Net Capital Assets	71,481,509

Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.

Post-retirement benefits	(36,280)
Compensated absences	(2,668,432)
	(2,704,712)

Net assets of governmental activities	<u>\$ 79,945,494</u>
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COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD Year Ended June 30, 2004

	School Operating Fund	School Cafeteria Fund	School Capital Projects Fund	School Activity Fund	Other Governmental Funds	Total Governmental Funds
Revenues:						
Use of money and property	\$ 19,532	\$ 7,460	\$ 31,516	\$ -	\$ 5,157	\$ 63,665
Charges for services	1,123,845	2,147,650	-	-	637,684	3,909,179
Miscellaneous	41,540	-	-	3,224,832	227,948	3,494,320
Appropriation from General Fund	34,171,090	-	8,500,000	-	-	42,671,090
Intergovernmental	45,642,606	1,429,230	1,781,468	-	3,979,247	52,832,551
Total revenues	80,998,613	3,584,340	10,312,984	3,224,832	4,850,036	102,970,805
Expenditures:						
Current:						
Education	80,548,613	3,573,463	-	3,254,573	5,046,726	92,423,375
Capital outlay	-	-	3,556,659	-	-	3,556,659
Debt service:						
Principal	-	-	-	-	30,103	30,103
Interest and fiscal charges	-	-	-	-	3,659	3,659
Total expenditures	80,548,613	3,573,463	3,556,659	3,254,573	5,080,488	96,013,796
Revenues over (under) expenditures	450,000	10,877	6,756,325	(29,741)	(230,452)	6,957,009
Other financing sources (uses):						
Transfers in	-	-	-	-	450,000	450,000
Transfers out	(450,000)	-	-	-	-	(450,000)
Total other financing sources (uses), net	(450,000)	-	-	-	450,000	-
Net change in fund balances	-	10,877	6,756,325	(29,741)	219,548	6,957,009
Fund balance, beginning	-	643,362	2,251,949	787,070	529,307	4,211,688
Fund balance, ending	\$ -	\$ 654,239	\$ 9,008,274	\$ 757,329	\$ 748,855	\$ 11,168,697

Net change in fund balances \$ 6,957,009

Reconciliation of amounts reported for governmental activities in the Statement of Activities:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were more than depreciation in the current period.

Expenditure for capital assets	\$ 4,693,088
Less depreciation expense	(3,960,474)
Excess of capital outlay over depreciation	732,614

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal repayments:	
General obligation debt	30,103

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	228,691
	228,691

Change in net assets of governmental activities \$ 7,948,417

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING BALANCE SHEET

NONMAJOR FUNDS OF THE DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD

June 30, 2004

	School Textbook Fund	Massanutten Technical Center - Operating Fund	Massanutten Technical Center - Activity Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash, cash equivalents and temporary cash investments	\$ 466,806	\$ 469,630	\$ 122,226	\$ 1,058,662
Trade and other accounts receivable	7,911	1,911	9,303	19,125
Accrued interest	-	1,641	-	1,641
Inventory	149,308	-	-	149,308
Total assets	\$ 624,025	\$ 473,182	\$ 131,529	\$ 1,228,736
LIABILITIES				
Accounts payable	\$ 791	\$ 238,081	\$ 2,116	\$ 240,988
Accrued payroll	3,792	142,257	-	146,049
Due to other government	-	92,844	-	92,844
Total liabilities	4,583	473,182	2,116	479,881
FUND BALANCES				
Reserved for:				
Inventory	149,308	-	-	149,308
Unreserved:				
Designated for subsequent years' expenditures	470,134	-	129,413	599,547
Total fund balances	619,442	-	129,413	748,855
Total liabilities and fund balances	\$ 624,025	\$ 473,182	\$ 131,529	\$ 1,228,736

COUNTY OF ROCKINGHAM, VIRGINIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR FUNDS OF THE DISCRETELY PRESENTED COMPONENT UNIT - SCHOOL BOARD Year Ended June 30, 2004

	School Textbook Fund	Massanutten Technical Center - Operating Fund	Massanutten Technical Center - Activity Fund	Total Nonmajor Governmental Funds
Revenues:				
Use of money and property	\$ -	\$ 5,157	\$ -	\$ 5,157
Charges for services	877	636,807	-	637,684
Miscellaneous	-	36,900	191,048	227,948
Intergovernmental	526,832	3,452,415	-	3,979,247
Total revenues	527,709	4,131,279	191,048	4,850,036
Expenditures:				
Current:				
Education	795,343	4,097,517	153,866	5,046,726
Debt service:				
Principal	-	30,103	-	30,103
Interest	-	3,659	-	3,659
Total expenditures	795,343	4,131,279	153,866	5,080,488
Revenues over (under) expenditures	(267,634)	-	37,182	(230,452)
Other financing sources:				
Transfers in	450,000	-	-	450,000
Total other financing sources	450,000	-	-	450,000
Net change in fund balances	182,366	-	37,182	219,548
Fund balance, beginning	437,076	-	92,231	529,307
Fund balance, ending	\$ 619,442	\$ -	\$ 129,413	\$ 748,855



**DISCRETELY PRESENTED COMPONENT UNIT –
HARRISONBURG – ROCKINGHAM SOCIAL SERVICES DISTRICT**

This fund accounts for the general operations of the Social Services District. Financing is provided by specific allocations from state and federal governments, by appropriation from the General Fund of the County by the Board of Supervisors and by the City of Harrisonburg.

COUNTY OF ROCKINGHAM, VIRGINIA

BALANCE SHEET

DISCRETELY PRESENTED COMPONENT UNIT - HARRISONBURG-ROCKINGHAM

SOCIAL SERVICES DISTRICT

June 30, 2004

ASSETS	
Cash, cash equivalents and temporary cash investments	\$ 1,552,184
Trade and other accounts receivable	24,218
Accrued interest	4,984
Due from other governments	<u>1,084,812</u>
Total assets	\$ <u>2,666,198</u>
LIABILITIES	
Accounts payable	\$ 858,579
Accrued payroll	<u>93,362</u>
Total liabilities	<u>951,941</u>
FUND BALANCE	
Unreserved, undesignated	<u>1,714,257</u>
Total liabilities and fund balance	\$ <u>2,666,198</u>
Fund balance	\$ 1,714,257
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds.	
Governmental capital assets	\$ 277,801
Less accumulated depreciation	<u>(192,930)</u>
Net Capital Assets	84,871
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	
Compensated absences	<u>(233,268)</u>
Net assets of governmental activities	\$ <u>1,565,860</u>

COUNTY OF ROCKINGHAM, VIRGINIA

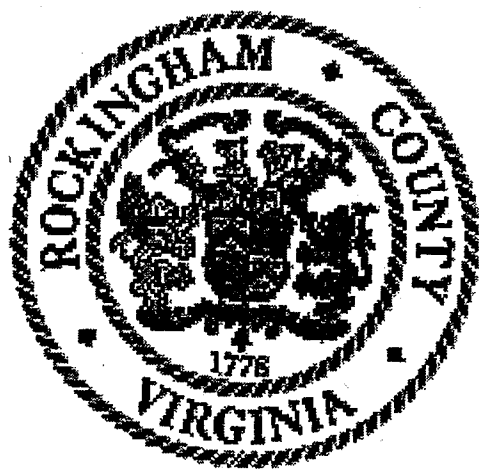
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE DISCRETELY PRESENTED COMPONENT UNIT - HARRISONBURG-ROCKINGHAM SOCIAL SERVICES DISTRICT

Year Ended June 30, 2004

Revenues:		
Use of money and property	\$	17,396
Miscellaneous		1,814,875
Appropriation from General Fund		1,887,304
Intergovernmental		<u>9,550,620</u>
Total revenues		<u>13,270,195</u>
Expenditures:		
Current:		
Health and social services		<u>12,924,157</u>
Total expenditures		<u>12,924,157</u>
Net change in fund balance		346,038
Fund balance, beginning		<u>1,368,219</u>
Fund balance, ending	\$	<u><u>1,714,257</u></u>
Net change in fund balance	\$	346,038
Reconciliation of amounts reported for governmental activities in the Statement of Activities:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Expenditure for capital assets	\$	26,764
Less depreciation expense		<u>(33,455)</u>
Excess of depreciation over capital outlays		(6,691)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences		<u>(14,703)</u>
Change in net assets of governmental activities	\$	<u><u>324,644</u></u>



SUPPLEMENTAL SCHEDULES



GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	\$ 27,048,000	\$ 27,048,000	\$ 27,616,693	\$ 568,693
Real and personal public service corporation property taxes	1,174,000	1,174,000	1,019,580	(154,420)
Personal property taxes	6,900,000	6,900,000	7,124,246	224,246
Machinery and tools taxes	6,410,000	6,410,000	6,384,130	(25,870)
Merchants' capital taxes	750,000	750,000	761,729	11,729
Penalties and interest	442,000	442,000	642,667	200,667
Total general property taxes	42,724,000	42,724,000	43,549,045	825,045
Other local taxes:				
Local sales and use taxes	3,300,000	3,300,000	3,709,024	409,024
Consumer utility taxes	1,513,000	1,513,000	1,570,123	57,123
Utility gross receipts taxes	260,000	260,000	287,683	27,683
Bank stock taxes	7,000	7,000	19,279	12,279
Motor vehicle licenses	1,090,000	1,090,000	1,135,372	45,372
Taxes on recordation and wills	550,000	550,000	705,107	155,107
Hotel and motel room taxes	85,000	85,000	85,566	566
Total other local taxes	6,805,000	6,805,000	7,512,154	707,154
Permits, privilege fees and regulatory licenses:				
Animal licenses	20,000	20,000	17,889	(2,111)
Permits and other licenses	620,900	620,900	865,560	244,660
Total permits, privilege fees and regulatory licenses	640,900	640,900	883,449	242,549
Fines and forfeitures	176,000	176,000	190,134	14,134
Use of money and property:				
Revenue from use of money	300,000	300,000	272,847	(27,153)
Revenue from use of property	225,203	225,203	234,736	9,533
Total use of money and property	525,203	525,203	507,583	(17,620)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Revenue from local sources:				
Charges for services:				
Excess fees of clerk	\$ 338,500	\$ 339,924	\$ 702,929	\$ 363,005
Commonwealth attorney's fees	133,500	133,500	163,889	30,389
Law enforcement and traffic control	125,000	125,000	140,952	15,952
Fire and rescue services	1,000	1,000	434	(566)
Correction and detention	761,000	830,150	901,836	71,686
Parks and recreation	270,000	285,000	278,829	(6,171)
Gypsy moth suppression fees	6,000	6,000	180	(5,820)
Computer services	5,000	5,000	4,945	(55)
Health	15,000	15,000	32,856	17,856
Garage fees	252,000	288,000	290,736	2,736
Planning and community development	5,500	5,500	4,052	(1,448)
Total charges for services	1,912,500	2,034,074	2,521,638	487,564
Miscellaneous	80,500	113,219	142,284	29,065
Recovered costs:				
City of Harrisonburg:				
Judicial administration	488,252	489,282	443,050	(46,232)
Public safety	894,937	897,151	843,733	(53,418)
Public works	231,251	231,823	150,140	(81,683)
Other entities:				
Public safety	153,900	153,900	117,676	(36,224)
Public works	40,000	40,000	98,908	58,908
Total recovered costs	1,808,340	1,812,156	1,653,507	(158,649)
Total revenue from local sources	54,672,443	54,830,552	56,959,794	2,129,242
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
ABC profits	31,000	31,000	80,506	49,506
Wine taxes	32,000	32,000	49,912	17,912
Mobile home titling taxes	150,000	150,000	98,057	(51,943)
Rental vehicle taxes	4,000	4,000	4,213	213
Personal property tax relief	5,400,000	5,400,000	5,670,096	270,096
Recordation taxes	200,000	200,000	220,765	20,765
Total non-categorical aid	5,817,000	5,817,000	6,123,549	306,549

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Shared costs:				
Commonwealth attorney	\$ 407,400	\$ 407,400	\$ 433,581	\$ 26,181
Sheriff	5,010,000	5,029,703	5,076,162	46,459
Commissioner of the revenue	162,500	162,500	179,550	17,050
Treasurer	159,000	159,000	161,106	2,106
Medical examiner	750	750	1,140	390
Registrar/Electoral Board	40,000	58,710	46,457	(12,253)
Clerk of circuit court	397,000	397,000	433,767	36,767
Jail operations	550,000	550,000	487,309	(62,691)
Total shared costs	6,726,650	6,765,063	6,819,072	54,009
Other categorical aid:				
Emergency medical services	31,200	31,200	33,051	1,851
Community corrections grant	322,274	322,274	317,678	(4,596)
Soil conservation	130,000	130,000	118,445	(11,555)
Fire program	70,000	82,986	83,805	819
Hazardous materials program	6,000	13,554	13,554	-
Disaster grant	-	2,591	2,591	-
Resource officers grant	-	-	47,178	47,178
Methamphetamine grant	-	49,912	54,709	4,797
Health department	-	-	501	501
Rural access to emergency devices grant	-	6,475	6,475	-
Records preservation grant	-	377,413	377,413	-
Total other categorical aid	559,474	1,016,405	1,055,400	38,995
Total categorical aid	7,286,124	7,781,468	7,874,472	93,004
Total revenue from the Commonwealth	13,103,124	13,598,468	13,998,021	399,553

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Intergovernmental:				
Revenue from the federal government:				
Non-categorical aid:				
Payment for federal lands	\$ 180,000	\$ 180,000	\$ 192,667	\$ 12,667
Categorical aid:				
Victim witness grant	65,440	65,440	60,705	(4,735)
FEMA funding	9,600	23,462	15,441	(8,021)
COPS grant	33,187	-	-	-
Highway safety	35,000	39,490	28,173	(11,317)
Welfare	-	-	81,782	81,782
Domestic violence coordinator grant	20,400	20,400	19,647	(753)
Gun violence grant	63,000	63,000	35,205	(27,795)
Weed and seed	225,000	225,000	134,923	(90,077)
LLEBG crime prevention	-	597	597	-
Community prosecution program	-	25,000	44,232	19,232
Other	234,770	402,750	246,705	(156,045)
Total categorical aid	686,397	865,139	667,410	(197,729)
Total revenue from the federal government	866,397	1,045,139	860,077	(185,062)
Total intergovernmental	13,969,521	14,643,607	14,858,098	214,491
Total General Fund	\$ 68,641,964	\$ 69,474,159	\$ 71,817,892	\$ 2,343,733
Special Revenue Funds:				
E911 Fund:				
Revenue from local sources:				
Other local taxes:				
Emergency telephone service taxes	\$ 300,000	\$ 300,000	\$ 362,622	\$ 62,622
Revenue from use of money	-	-	1,933	1,933
Total revenue from local sources	300,000	300,000	364,555	64,555
Total E911 Fund	300,000	300,000	364,555	64,555

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over
	Original	Final		(Under)
Primary Government:				
Special Revenue Funds:				
Asset Forfeiture Fund:				
Revenue from local sources:				
Fines and forfeitures:				
Seized funds - judicial administration	\$ 30,000	\$ 30,000	\$ 37,038	\$ 7,038
Seized funds - public safety	30,000	30,000	44,866	14,866
Total fines and forfeitures	60,000	60,000	81,904	21,904
Revenue from use of money	-	-	943	943
Total revenue from local sources	60,000	60,000	82,847	22,847
Total Asset Forfeiture Fund	60,000	60,000	82,847	22,847
Total Special Revenue Funds	\$ 360,000	\$ 360,000	\$ 447,402	\$ 87,402
Capital Projects Funds:				
General Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	\$ 50,000	\$ 50,000	\$ 38,566	\$ (11,434)
Miscellaneous	-	-	43,072	43,072
Recovered costs from City of Harrisonburg	750,000	750,000	259,573	(490,427)
Total revenue from local sources	800,000	800,000	341,211	(458,789)
Total General Capital Projects Fund	800,000	800,000	341,211	(458,789)
Joint Judicial Complex Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	24,365	24,365
Total Joint Judicial Complex Fund	-	-	24,365	24,365
Total Capital Projects Funds	\$ 800,000	\$ 800,000	\$ 365,576	\$ (434,424)
Permanent Fund:				
Albert K. Long Trust:				
Revenue from local sources:				
Revenue from use of money	\$ -	\$ -	\$ 207	\$ 207
Total Permanent Fund	\$ -	\$ -	\$ 207	\$ 207
Grand Total Revenues - Primary Government	\$ 69,801,964	\$ 70,634,159	\$ 72,631,077	\$ 1,996,918

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over
	Original	Final		(Under)
Component Units:				
Component Unit - School Board:				
School Operating Fund:				
Revenue from local sources:				
Revenue from use of property	\$ 18,000	\$ 18,000	\$ 19,532	\$ 1,532
Charges for services	830,000	957,000	1,123,845	166,845
Miscellaneous	30,250	30,250	41,540	11,290
Appropriation from General Fund	40,636,119	35,219,411	34,171,090	(1,048,321)
Total revenue from local sources	41,514,369	36,224,661	35,356,007	(868,654)
Intergovernmental:				
Revenue from the Commonwealth:				
Non-categorical aid:				
Rolling stock tax	52,000	52,000	47,947	(4,053)
Categorical aid:				
State sales tax receipts	8,449,652	8,449,652	8,776,478	326,826
Basic school aid	22,904,567	22,904,567	22,369,684	(534,883)
Other state school funds	9,518,571	9,713,571	9,774,758	61,187
Total categorical aid	40,872,790	41,067,790	40,920,920	(146,870)
Total revenue from the Commonwealth	40,924,790	41,119,790	40,968,867	(150,923)
Revenue from the federal government:				
Categorical aid:				
National forest receipts	55,000	55,000	79,155	24,155
Title I	1,070,000	1,300,000	1,273,130	(26,870)
Title VIB	1,340,000	1,500,000	1,533,641	33,641
Other school funds	803,275	1,432,950	1,787,813	354,863
Total revenue from the federal government	3,268,275	4,287,950	4,673,739	385,789
Total intergovernmental	44,193,065	45,407,740	45,642,606	234,866
Total School Operating Fund	85,707,434	81,632,401	80,998,613	(633,788)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Units:				
Component Unit - School Board:				
School Textbook Fund:				
Revenue from local sources:				
Charges for services	\$ -	\$ -	\$ 877	\$ 877
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Financial assistance/textbook rental	532,611	532,611	526,832	(5,779)
Total School Textbook Fund	532,611	532,611	527,709	(4,902)
School Cafeteria Fund:				
Revenue from local sources:				
Revenue from use of money	20,000	20,000	7,460	(12,540)
Charges for services	2,269,872	2,269,872	2,147,650	(122,222)
Total revenue from local sources	2,289,872	2,289,872	2,155,110	(134,762)
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
School food program grant	70,000	70,000	69,925	(75)
Revenue from the federal government:				
Categorical aid:				
School food program grant	1,291,409	1,291,409	1,359,305	67,896
Total intergovernmental	1,361,409	1,361,409	1,429,230	67,821
Total School Cafeteria Fund	3,651,281	3,651,281	3,584,340	(66,941)
School Capital Projects Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	31,516	31,516
Appropriation from General Fund	-	8,500,000	8,500,000	-
Total revenue from local sources	-	8,500,000	8,531,516	31,516

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Units:				
Component Unit - School Board:				
School Capital Projects Fund:				
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Lottery	\$ 792,379	\$ 792,379	\$ 783,851	\$ (8,528)
Literary loan subsidy	-	-	746,909	746,909
Other state revenues	250,595	250,595	250,708	113
Total intergovernmental	1,042,974	1,042,974	1,781,468	738,494
Total School Capital Projects Fund	1,042,974	9,542,974	10,312,984	770,010
School Activity Fund:				
Revenue from local sources:				
Miscellaneous	-	-	3,224,832	3,224,832
Total School Activity Funds	-	-	3,224,832	3,224,832
Massanutten Technical Center - Operating Fund:				
Revenue from local sources:				
Revenue from use of money	-	-	5,157	5,157
Charges for services	587,497	637,497	636,807	(690)
Miscellaneous:				
Proceeds from house project	45,000	45,000	36,900	(8,100)
Total revenue from local sources	632,497	682,497	678,864	(3,633)
Intergovernmental:				
Revenue from the Commonwealth	494,688	494,688	365,147	(129,541)
Revenue from the federal government	-	-	101,878	101,878
Appropriation from Rockingham County	2,614,123	2,571,623	2,535,206	(36,417)
Appropriation from the City of Harrisonburg	497,610	490,110	450,184	(39,926)
Total intergovernmental	3,606,421	3,556,421	3,452,415	(104,006)
Total Massanutten Technical Center - Operating Fund	4,238,918	4,238,918	4,131,279	(107,639)
Massanutten Technical Center - Activity Fund:				
Revenue from local sources:				
Miscellaneous	-	-	191,048	191,048
Total Massanutten Technical Center - Activity Fund	-	-	191,048	191,048
Total Revenues - Component Unit - School Board	\$ 95,173,218	\$ 99,598,185	\$ 102,970,805	\$ 3,372,620

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Major and Minor Revenue Source	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Component Units:				
Component Unit - Harrisonburg-Rockingham				
Social Services District:				
Revenue from local sources:				
Revenue from use of money	\$ -	\$ -	\$ 17,396	\$ 17,396
Miscellaneous:				
City of Harrisonburg share	1,650,677	1,655,290	1,655,290	-
Other	129,463	141,761	159,585	17,824
Total miscellaneous	1,780,140	1,797,051	1,814,875	17,824
Appropriation from the General Fund	1,762,697	1,887,304	1,887,304	-
Total revenue from local sources	3,542,837	3,684,355	3,719,575	35,220
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Social services administration:				
Public assistance and administration	2,145,562	2,363,348	2,025,719	(337,629)
Comprehensive Services Act	3,794,045	3,933,639	3,081,321	(852,318)
Total revenue from the Commonwealth	5,939,607	6,296,987	5,107,040	(1,189,947)
Revenue from the federal government:				
Categorical aid:				
Social services administration:				
Comprehensive Services Act	-	-	284,388	284,388
Welfare	4,007,021	4,277,334	4,159,192	(118,142)
Total revenue from the federal government	4,007,021	4,277,334	4,443,580	166,246
Total intergovernmental	9,946,628	10,574,321	9,550,620	(1,023,701)
Total Revenues - Component Unit - Harrisonburg-Rockingham Social Services District	\$ 13,489,465	\$ 14,258,676	\$ 13,270,195	\$ (988,481)
Grand Total Revenues - Component Units	\$ 108,662,683	\$ 113,856,861	\$ 116,241,000	\$ 2,384,139

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
General government administration:				
Legislative:				
Board of Supervisors	\$ 141,715	\$ 141,715	\$ 145,739	\$ 4,024
General and financial:				
Executive administration	404,730	404,730	377,748	(26,982)
Legal services	129,380	212,896	222,004	9,108
Independent auditor	58,000	58,000	72,154	14,154
Commissioner of the revenue	595,531	616,092	598,295	(17,797)
Reassessment and equalization	42,565	42,565	42,716	151
Treasurer	459,807	488,561	474,733	(13,828)
Fiscal services	553,448	553,448	538,369	(15,079)
Human resources	156,706	156,706	152,737	(3,969)
Information systems	909,640	909,640	875,570	(34,070)
Land use assessment	42,380	42,380	38,817	(3,563)
Central switchboard	53,925	53,925	55,260	1,335
Total general and financial	3,406,112	3,538,943	3,448,403	(90,540)
Board of elections:				
Electoral board and officials	49,595	68,305	55,381	(12,924)
Registrar	97,876	97,876	94,634	(3,242)
Total board of elections	147,471	166,181	150,015	(16,166)
Total general government administration	3,695,298	3,846,839	3,744,157	(102,682)
Judicial administration:				
Courts:				
Circuit court	173,795	173,795	170,321	(3,474)
General district court	14,900	14,900	13,801	(1,099)
Juvenile and domestic relations court	18,415	18,415	16,530	(1,885)
Clerk of the circuit court	656,690	1,042,301	663,300	(379,001)
Department of court services	880,514	889,782	714,064	(175,718)
Total courts	1,744,314	2,139,193	1,578,016	(561,177)
Commonwealth attorney	804,738	829,738	821,003	(8,735)
Total judicial administration	2,549,052	2,968,931	2,399,019	(569,912)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Public safety:				
Law enforcement and traffic control:				
Sheriff	\$ 4,180,052	\$ 4,264,805	\$ 4,120,281	\$ (144,524)
Fire and rescue services:				
Fire department	2,115,915	2,393,453	2,276,480	(116,973)
Volunteer fire companies	416,641	416,641	415,999	(642)
Ambulance and rescue squads	307,919	330,229	316,270	(13,959)
Fire extinction service	14,386	14,386	12,679	(1,707)
Total fire and rescue services	2,854,861	3,154,709	3,021,428	(133,281)
Correction and detention:				
County operated institutions	4,741,423	4,753,423	4,792,691	39,268
Building inspections	370,878	370,878	407,066	36,188
Other protection:				
Animal control	172,024	172,024	170,762	(1,262)
Emergency services	70,056	90,731	120,892	30,161
Total other protection	242,080	262,755	291,654	28,899
Total public safety	12,389,294	12,806,570	12,633,120	(173,450)
Public works:				
General administration	59,540	65,980	58,166	(7,814)
Road viewers	320	320	-	(320)
Garage operations	345,280	381,280	362,704	(18,576)
Maintenance:				
General properties	197,861	199,861	206,088	6,227
Courthouse	166,470	168,670	168,216	(454)
County office building	82,755	103,855	101,541	(2,314)
Extension/central garage building	23,797	27,997	27,525	(472)
Human Services/Health department building	118,890	124,940	107,448	(17,492)
TV translator system	51,800	51,800	47,960	(3,840)
County administration complex	192,456	265,079	267,038	1,959
District courts	221,725	237,025	233,515	(3,510)
Sheriff department	143,620	164,120	161,706	(2,414)
Total public works	1,604,514	1,790,927	1,741,907	(49,020)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over (Under)
	Original	Final		
Primary Government:				
General Fund:				
Health and social services:				
Health:				
Supplement to local health department	\$ 538,807	\$ 538,807	\$ 491,490	\$ (47,317)
Mental health and mental retardation:				
Community Services Board	245,761	245,761	245,761	-
Social services:				
Property tax relief for elderly/handicapped	152,500	152,500	104,336	(48,164)
Appropriation to the Harrisonburg-Rockingham Social Services District				
	1,762,697	1,887,304	1,887,304	-
Institutional care	234,560	234,560	234,560	-
Total health and social services	2,934,325	3,058,932	2,963,451	(95,481)
Education:				
Appropriation to the Rockingham County School Board				
	40,636,119	43,719,411	42,671,090	(1,048,321)
Total education	40,636,119	43,719,411	42,671,090	(1,048,321)
Parks, recreation and cultural:				
Parks and recreation:				
Administration	109,516	109,516	100,567	(8,949)
Maintenance	98,660	117,760	108,076	(9,684)
Athletic events/programs	591,322	686,322	698,022	11,700
Total parks and recreation	799,498	913,598	906,665	(6,933)
Cultural:				
Regional library	606,682	606,682	606,682	-
Total parks, recreation and cultural	1,406,180	1,520,280	1,513,347	(6,933)
Community development:				
Planning and community development	541,971	581,622	486,179	(95,443)
Geographic information systems	143,891	143,891	137,816	(6,075)
Economic development	1,197,060	1,210,560	724,938	(485,622)
TMDL grant	-	-	138	138
Soil and water conservation district	141,800	141,800	145,994	4,194
Cooperative extension program	183,698	183,698	133,374	(50,324)
Gypsy moth program	12,000	12,000	3,564	(8,436)
Erosion and sediment control	53,750	53,750	54,753	1,003
Contributions and grants	904,274	480,464	477,572	(2,892)
Total community development	3,178,444	2,807,785	2,164,328	(643,457)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2004

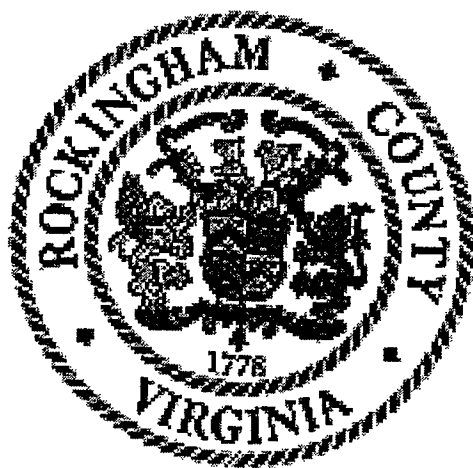
Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over
	Original	Final		(Under)
Primary Government:				
General Fund:				
Debt service:				
Principal - County	\$ 402,180	\$ 402,180	\$ 402,179	\$ (1)
Principal - School Board	-	3,528,196	3,528,196	-
Total principal	402,180	3,930,376	3,930,375	(1)
Interest and fiscal charges - County	311,943	353,587	353,586	(1)
Interest and fiscal charges - School Board	-	1,922,512	1,917,563	(4,949)
Total interest and fiscal charges	311,943	2,276,099	2,271,149	(4,950)
Total debt service	714,123	6,206,475	6,201,524	(4,951)
Total General Fund	\$ 69,107,349	\$ 78,726,150	\$ 76,031,943	\$ (2,694,207)
Special Revenue Funds:				
E911 Fund:				
Public safety:				
E911 communication system	\$ 494,250	\$ 862,693	\$ 826,550	\$ (36,143)
Total E911 Fund	494,250	862,693	826,550	(36,143)
Asset Forfeiture Fund:				
Public safety:				
Law enforcement	80,000	102,000	85,933	(16,067)
Total Asset Forfeiture Fund	80,000	102,000	85,933	(16,067)
Total Special Revenue Funds	\$ 574,250	\$ 964,693	\$ 912,483	\$ (52,210)
Capital Projects Funds:				
General Capital Projects Fund:				
Capital projects	\$ 7,174,500	\$ 7,438,389	\$ 2,821,843	\$ (4,616,546)
Total General Capital Projects Fund	7,174,500	7,438,389	2,821,843	(4,616,546)
Joint Judicial Complex Fund:				
Debt service:				
Interest and fiscal charges	-	-	1,022	1,022
Total Joint Judicial Complex Fund	-	-	1,022	1,022
Total Capital Projects Funds	\$ 7,174,500	\$ 7,438,389	\$ 2,822,865	\$ (4,615,524)
Grand Total Expenditures - Primary Government	\$ 76,856,099	\$ 87,129,232	\$ 79,767,291	\$ (7,361,941)

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Over (Under)
Component Units:				
Component Unit - School Board:				
School Operating Fund:				
Education:				
Instruction	\$ 65,377,001	\$ 66,613,922	\$ 65,261,287	\$ (1,352,635)
Administration, attendance and health	2,840,148	2,839,902	2,678,650	(161,252)
Pupil transportation services	4,803,135	4,893,135	5,606,123	712,988
Operation and maintenance services	7,270,442	7,375,442	7,002,553	(372,889)
Total education	80,290,726	81,722,401	80,548,613	(1,173,788)
Debt service:				
Principal	3,528,196	-	-	-
Interest and fiscal charges	1,888,512	-	-	-
Total debt service	5,416,708	-	-	-
Total School Operating Fund	85,707,434	81,722,401	80,548,613	(1,173,788)
School Textbook Fund:				
Education:				
Purchase of textbooks	821,427	821,427	795,343	(26,084)
Total School Textbook Fund	821,427	821,427	795,343	(26,084)
School Cafeteria Fund:				
Education:				
School food services	3,651,281	3,651,281	3,573,463	(77,818)
Total School Cafeteria Fund	3,651,281	3,651,281	3,573,463	(77,818)
School Capital Projects Fund:				
Capital projects	3,300,000	11,800,000	3,556,659	(8,243,341)
Total School Capital Projects Fund	3,300,000	11,800,000	3,556,659	(8,243,341)
School Activity Funds:				
Education:				
School activities	-	-	3,254,573	3,254,573
Total School Activity Funds	-	-	3,254,573	3,254,573

GOVERNMENTAL FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
Year Ended June 30, 2004

Entity, Fund, Function, Activity and Elements	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over
	Original	Final		(Under)
Component Units:				
Component Unit - School Board:				
Massanutten Technical Center - Operating Fund:				
Education:				
Secondary	\$ 2,812,305	\$ 2,812,305	\$ 2,866,722	\$ 54,417
Continuing education	791,928	791,928	714,835	(77,093)
Dayton Learning Center	617,805	617,805	515,960	(101,845)
Total education	4,222,038	4,222,038	4,097,517	(124,521)
Debt service:				
Principal	13,401	13,400	30,103	16,703.00
Interest	3,480	3,480	3,659	179.00
Total debt service	16,881	16,880	33,762	16,882.00
Total Massanutten Technical Center - Operating Fund	4,238,919	4,238,918	4,131,279	(107,639)
Massanutten Technical Center - Activity Fund:				
Education:				
School activities	-	-	153,866	153,866
Total Massanutten Technical Center - Activity Fund	-	-	153,866	153,866
Total Expenditures - Component Unit - School Board	\$ 97,719,061	\$ 102,234,027	\$ 96,013,796	\$ (6,220,231)
Component Unit - Harrisonburg-Rockingham				
Social Services District:				
Social services:				
Public assistance	\$ 3,606,659	\$ 4,080,951	\$ 3,650,031	\$ (430,920)
Comprehensive Services Act	5,966,424	6,223,705	5,438,545	(785,160)
Administration:				
Welfare	3,632,263	3,669,901	3,593,591	(76,310)
Food stamp	261,463	261,463	217,461	(44,002)
Fuel assistance	22,656	22,656	24,529	1,873
Total Expenditures - Component Unit - Harrisonburg-Rockingham Social Services District	\$ 13,489,465	\$ 14,258,676	\$ 12,924,157	\$ (1,334,519)
Grand Total Expenditures - Component Units	\$ 111,208,526	\$ 116,492,703	\$ 108,937,953	\$ (7,554,750)



COUNTY OF ROCKINGHAM, VIRGINIA

GOVERNMENTAL REVENUES BY SOURCE (1)

Last Ten Fiscal Years

Fiscal Year	General Property Taxes	Other Local Taxes	Permits, Privilege Fees and Regulatory Licenses	Fines and Forfeitures	Use of Money and Property	Charges for Services	(2)		Recovered Costs	Inter- governmental (3) (4)	Totals
1994-95	\$ 27,251,720	\$ 5,071,782	\$ 377,028	\$ 38,272	\$ 861,706	\$ 3,411,014	\$ 71,184	\$ 657,332	\$ 37,075,462	\$ 74,815,500	
1995-96	29,076,353	5,490,456	338,617	64,386	1,175,389	2,455,622	476,598	377,670	36,668,340	76,123,431	
1996-97	31,147,076	5,582,003	323,661	120,111	1,201,870	2,960,323	1,155,076	501,223	40,292,089	83,283,432	
1997-98	33,389,208	5,777,552	358,328	170,214	1,411,134	3,365,074	394,674	793,415	42,182,361	87,841,960	
1998-99	35,921,902	6,366,226	585,878	197,379	1,448,251	3,568,269	114,288	791,457	43,619,184	92,612,834	
1999-00	36,602,625	6,823,283	432,093	245,756	1,857,432	4,036,513	524,850	1,198,966	52,680,152	104,401,670	
2000-01	36,802,773	7,388,875	529,528	179,883	2,045,364	4,505,870	1,071,610	1,416,419	57,522,918	111,463,240	
2001-02	37,629,080	7,234,718	564,038	198,166	1,026,420	5,058,387	386,095	1,485,705	58,255,088	111,837,697	
2002-03	41,485,976	7,599,937	566,961	280,512	798,738	5,431,639	231,767	1,439,817	60,936,858	118,772,205	
2003-04	43,549,045	7,874,776	883,449	272,038	632,105	5,794,010	226,896	1,913,080	64,238,234	125,383,633	

Notes:

- (1) Includes governmental funds of the primary government and the School Operating, School Textbook, School Cafeteria and School Capital Projects Funds of the discretely presented component unit - School Board.
- (2) Includes \$1,017,000 Trigon demutualization in fiscal year 1996-97.
- (3) Beginning in fiscal year 1995-96, the social services department of the City of Harrisonburg and the County were consolidated with the formation of the Harrisonburg-Rockingham Social Services District which is reported as a discretely presented component unit and not included in this schedule.
- (4) In fiscal year 1999-00, the County began receiving funds from the Commonwealth of Virginia for personal property taxes under the Personal Property Tax Relief Act.

COUNTY OF ROCKINGHAM, VIRGINIA

GOVERNMENTAL EXPENDITURES BY FUNCTION (1) Last Ten Fiscal Years

Fiscal Year	General Government			Public Safety	Public Works	Health and Social Services	Parks, Recreation and Cultural			Community Development	Debt Service	Totals
	Administration	Judicial Administration	Government				Education	Cultural	Recreation			
					(3)	(2) (4)	(5)					
1994-95	\$ 1,810,485	\$ 861,174	\$	6,016,936	\$ 1,612,770	\$ 3,140,106	\$ 49,853,295	\$ 760,590	\$	664,972	\$ 6,305,158	\$ 71,025,486
1995-96	1,847,024	1,098,749		6,365,687	971,929	633,574	52,585,077	791,430		1,094,750	6,179,303	71,567,523
1996-97	2,229,345	1,275,690		7,196,375	942,690	656,372	56,400,866	865,184		719,385	7,334,356	77,620,263
1997-98	2,612,726	1,385,291		8,175,896	1,040,129	724,899	60,338,677	1,036,950		799,750	8,078,295	84,192,613
1998-99	2,905,821	1,571,550		9,140,743	1,167,082	747,446	62,733,572	1,163,826		1,191,790	6,742,804	87,364,634
1999-00	2,844,829	1,743,050		10,396,069	1,494,111	1,126,409	68,181,409	1,140,002		1,451,244	6,686,951	95,064,074
2000-01	3,303,140	1,995,772		11,529,163	1,629,314	921,677	73,508,529	1,276,111		1,345,459	7,373,335	102,882,500
2001-02	3,534,242	2,224,122		12,357,708	1,695,038	2,473,227	76,564,304	1,424,179		1,338,739	8,229,407	109,840,966
2002-03	3,680,361	2,374,371		12,677,941	1,778,941	2,649,174	80,176,641	1,424,179		1,338,739	7,143,975	113,244,322
2003-04	3,744,157	2,399,019		13,545,603	1,741,907	2,963,451	84,917,419	1,513,347		2,164,328	6,202,546	119,191,777

Notes:

- (1) Includes governmental funds of the primary government and the School Operating, School Textbook and School Cafeteria Funds of the discretely presented component unit - School Board.
- (2) Beginning in fiscal year 1995-96, the social services department of the City of Harrisonburg and the County were consolidated with the formation of the Harrisonburg-Rockingham Social Services District which is reported as a discretely presented component unit and not included in this schedule.
- (3) Effective July 1, 1995, the operations of the landfill and solid waste collection were transferred to an enterprise fund.
- (4) Beginning in fiscal year 2001-02, the transfers made to the Harrisonburg-Rockingham Social Services District are included with the expenditures.
- (5) Does not include the amount listed as education from the General Fund.

COUNTY OF ROCKINGHAM, VIRGINIA

ASSESSED VALUATION OF ALL TAXABLE PROPERTY

Last Ten Fiscal Years

Fiscal Year	Real Estate (4) (5)	Personal Property (1) (7)	Mobile Homes (5)	Machinery and Tools (2)	Merchants' Capital (3)	Public Service (6)	Farm Machinery (2)	Totals
1994-95	\$ 2,560,728,102	\$ 237,863,000	\$ 23,236,515	\$ 110,553,686	\$ 34,629,540	\$ 146,327,425	\$ 54,356,364	\$ 3,167,694,632
1995-96	2,637,240,919	272,308,179	25,225,152	116,047,216	41,613,448	136,471,845	56,695,000	3,285,601,759
1996-97	2,716,013,280	308,436,357	26,748,088	132,018,157	60,060,920	114,339,118	56,693,182	3,414,309,102
1997-98	2,927,956,277	322,393,107	28,832,647	151,219,373	59,871,954	124,066,176	56,816,591	3,671,156,125
1998-99	3,172,194,684	341,038,643	34,683,088	149,954,510	66,168,621	151,387,500	55,772,045	3,971,199,091
1999-00	3,279,291,613	365,497,000	37,360,588	169,290,980	67,291,724	138,518,902	57,764,545	4,115,015,352
2000-01	3,362,967,932	389,022,750	38,189,014	177,263,451	79,421,034	138,363,944	58,448,182	4,115,015,352
2001-02	3,655,016,981	404,556,500	38,884,366	173,010,824	91,334,943	146,887,183	65,246,818	4,574,937,615
2002-03	3,948,689,179	433,302,607	26,956,056	221,230,510	88,292,759	171,216,901	67,800,909	4,957,488,921
2003-04	4,081,661,738	448,176,357	27,455,915	252,397,922	87,708,276	141,545,493	71,100,227	5,110,045,928

Notes:

- (1) Assessed at 100% of average loan value as determined by NADA.
- (2) Assessed at 100% of depreciated value.
- (3) Assessed at 100% of inventory reported as of January 1 of tax year.
- (4) Includes assessed valuation of lands subject to land use taxation.
- (5) Assessed at 100% fair market value. Reassessments effective January 1, 1994, 1998 and 2002.
- (6) Includes real estate and personal property. Assessed values are established by the State Corporation Commission.
- (7) Beginning in fiscal year 1999-00, personal property taxes include personal property tax relief from the Commonwealth of Virginia.

COUNTY OF ROCKINGHAM, VIRGINIA

PROPERTY TAX RATES PER \$100 OF ASSESSED VALUE DIRECT AND OVERLAPPING GOVERNMENTS Last Ten Fiscal Years

Rockingham County

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Farm Machinery
(1)						
1994-95	\$ 0.66/0.66	\$ 2.80	\$ 0.66	\$ 2.55	\$ 0.87	0.44
1995-96	0.66/0.68	2.80	0.66	2.55	0.87	0.44
1996-97	0.68/0.68	2.80	0.68	2.55	0.87	0.44
1997-98	0.68/0.68	2.80	0.68	2.55	0.87	0.44
1998-99	0.68/0.68	2.80	0.68	2.55	0.87	0.44
1999-00	0.68/0.71	2.80	0.68	2.55	0.87	0.44
2000-01	0.71/0.71	2.80	0.71	2.55	0.87	0.44
2001-02	0.71/0.71	2.80	0.71	2.55	0.87	0.44
2002-03	0.71/0.71	2.80	0.71	2.55	0.87	0.44
2003-04	0.71/0.71	2.80	0.71	2.55	0.87	0.44

Notes:

- (1) Public Service Corporations are taxed at the real estate and the personal property tax rates for those classes of assessed values established by the State Corporation Commission.

Overlapping Governments

Fiscal Year	Real Estate	Personal Property	Mobile Homes	Machinery and Tools	Merchants' Capital	Farm Machinery
1994-95	\$ 0.05-0.17	\$ 0.085-0.75	\$ 0.085-0.17	\$ 0.30-0.75	-	-
1995-96	0.05-0.17	0.085-0.75	0.085-0.17	0.30-0.75	-	-
1996-97	0.05-0.17	0.085-0.75	0.085-0.17	0.30-0.75	-	-
1997-98	0.05-0.17	0.20-0.75	0.17	0.30-0.75	-	-
1998-99	0.05-0.17	0.20-0.75	0.11-0.17	0.30-0.75	-	-
1999-00	0.05-0.17	0.20-0.75	0.07-0.17	0.30-0.75	-	-
2000-01	0.05-0.17	0.20-0.75	0.07-0.17	0.30-0.75	0.30	0.30
2001-02	0.05-0.16	0.20-0.75	0.07-0.16	0.30-0.75	0.30	0.30
2002-03	0.05-0.16	0.20-0.75	0.07-0.16	0.30-0.75	0.30	0.30
2003-04	0.05-0.16	0.20-0.75	0.07-0.16	0.30-0.75	0.30	0.30

The above table shows ranges of tax rates since individual towns set varying rates. People residing in the following Towns pay property taxes to the Town in addition to the taxes paid to the County. The Towns included in the above table include Bridgewater, Broadway, Dayton, Elkton, Grottoes, Mt. Crawford, and Timberville.

COUNTY OF ROCKINGHAM, VIRGINIA

PROPERTY TAX LEVIES AND COLLECTIONS Last Ten Fiscal Years

Fiscal Year	Total Tax Levy (1) (4)	Current Tax Collections (1) (4)	Percent of Levy Collected	Delinquent Tax Collections (1) (2)	Total Tax Collections (1) (2)	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes (1) (2) (3)	Percent of Delinquent Taxes to Levy
1994-95	\$ 26,393,337	\$ 25,724,575	97.47%	\$ 1,005,056	\$ 26,729,631	101.27%	\$ 1,859,829	7.05%
1995-96	28,737,323	27,437,170	95.48%	992,117	28,429,287	98.93%	2,062,759	7.18%
1996-97	30,982,108	29,599,153	95.54%	956,305	30,555,458	98.62%	2,312,989	7.47%
1997-98	33,115,770	31,728,965	95.81%	1,045,658	32,774,623	98.97%	2,552,565	7.71%
1998-99	35,552,726	34,074,123	95.84%	1,264,884	35,339,007	99.40%	2,516,715	7.08%
1999-00	37,930,634	36,342,343	95.81%	1,395,963	37,738,306	99.49%	2,482,228	6.54%
2000-01	40,019,915	38,497,814	96.20%	1,146,533	39,644,347	99.06%	2,811,602	7.03%
2001-02	42,448,123	41,123,190	96.88%	1,215,559	42,338,749	99.74%	2,884,941	6.80%
2002-03	46,682,254	45,114,004	96.64%	1,387,474	46,501,478	99.61%	2,993,225	6.41%
2003-04	48,523,838	47,052,027	96.97%	1,583,256	48,635,283	100.23%	2,928,421	6.04%

Notes:

- (1) Exclusive of penalties and interest.
- (2) Does not include land redemption.
- (3) Includes three most current delinquent tax years and first half of current tax year.
- (4) Includes personal property tax relief from the Commonwealth of Virginia.

COUNTY OF ROCKINGHAM, VIRGINIA

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA Last Ten Fiscal Years

Fiscal Year	Population	Assessed Value (in Thousands)	Gross Bonded Debt	Less:	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
				Portion of Debt Assumed by City of Harrisonburg			
	(1)	(3)	(2)	(4)			
1994-95	61,600	\$ 3,167,695	\$ 28,185,060	\$ 142,715	\$ 28,042,345	0.0089	\$ 455
1995-96	62,600	3,285,602	36,894,879	89,951	36,804,928	0.0112	588
1996-97	63,600	3,414,309	41,890,334	37,843	41,852,491	0.0123	658
1997-98	64,500	3,671,156	42,546,321	28,309	42,518,012	0.0116	659
1998-99	65,000	3,971,199	48,901,009	18,776	48,882,233	0.0123	752
1999-00	64,400	4,115,015	43,575,699	9,242	43,566,457	0.0106	676
2000-01	67,725	4,243,676	43,668,148	4,621	43,663,527	0.0103	645
2001-02	69,000	4,574,938	39,388,005	-	39,388,005	0.0086	571
2002-03	69,200	4,957,489	35,078,263	-	35,078,263	0.0071	507
2003-04	70,400	5,110,046	36,628,061	-	36,628,061	0.0072	520

Notes:

- (1) Weldon Cooper Center for Public Service, University of Virginia population estimates as of July 1 for all years.
- (2) Includes all long-term general obligation bonds and state literary fund loans.
- (3) Real property was assessed at 100% of fair market value.
- (4) In accordance with Annexation Court Order.

COUNTY OF ROCKINGHAM, VIRGINIA

PERCENT OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES Last Ten Fiscal Years

Fiscal Year	Principal (2)	Interest (2)	Total Debt Service	Total General Expenditures (1) (2)	Percent of Debt Service To Total General Expenditures
1994-95	\$ 2,992,580	\$ 2,133,073	\$ 5,125,653	\$ 71,025,486	7.2%
1995-96	2,951,412	1,983,171	4,934,583	71,567,523	6.9%
1996-97	3,641,016	2,362,663	6,003,679	77,620,263	7.7%
1997-98	3,751,002	2,471,393	6,222,395	84,192,613	7.4%
1998-99	3,635,779	2,370,241	6,006,020	87,364,634	6.9%
1999-00	3,737,000	2,172,232	5,909,232	95,064,074	6.2%
2000-01	4,093,273	2,507,451	6,600,724	102,882,500	6.4%
2001-02	5,043,772	2,461,755	7,505,527	109,840,966	6.8%
2002-03	4,309,742	2,101,206	6,410,948	113,244,322	5.7%
2003-04	3,528,195	1,900,405	5,428,600	119,191,777	4.6%

Notes:

- (1) Includes governmental funds of the primary government and the School Operating, School Textbook and Cafeteria Funds of the discretely presented component unit - School Board.
- (2) Includes payment of all long-term general obligation bonds and state literary fund loans.

COUNTY OF ROCKINGHAM, VIRGINIA

DIRECT AND OVERLAPPING BONDED DEBT

Last Ten Fiscal Years

Fiscal Year	Rockingham	Less:	Rockingham	Overlapping
	County Gross Bonded Debt (1)	Portion of Debt Assumed by City of Harrisonburg	County Net Bonded Debt	Gross Bonded Debt (2)
1994-95	\$ 28,185,060	\$ 142,715	\$ 28,042,345	\$ 3,722,373
1995-96	36,894,879	89,951	36,804,928	3,263,345
1996-97	41,890,334	37,843	41,852,491	3,221,220
1997-98	42,546,321	28,309	42,518,012	3,718,131
1998-99	48,901,009	18,776	48,882,233	8,775,804
1999-00	43,575,699	9,242	43,566,457	7,683,137
2000-01	43,668,148	4,621	43,663,527	7,188,044
2001-02	39,388,005	-	39,388,005	7,884,911
2002-03	35,078,263	-	35,078,263	7,635,483
2003-04	36,628,061	-	36,628,061	7,163,488

Notes:

- (1) Includes all long-term general obligation bonds and state literary fund loans.
- (2) Overlapping debt is attributed to the following towns: Bridgewater, Broadway, Dayton, Elkton, Grottoes and Timberville.

COUNTY OF ROCKINGHAM, VIRGINIA

REVENUE BOND COVERAGE WATER AND SEWER FUND Last Ten Fiscal Years (3)

Fiscal Year	Gross Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Totals	
1994-95	\$ 1,058,062	\$ 752,758	\$ 305,304	\$ 17,506	\$ 27,167	\$ 44,673	6.83
1995-96	1,338,211	798,355	539,856	18,429	26,244	44,673	12.08
1996-97	1,492,029	941,228	550,801	19,399	25,274	44,673	12.33
1997-98	1,530,804	981,691	549,113	20,422	24,251	44,673	12.29
1998-99	1,746,775	1,059,829	686,946	21,497	23,176	44,673	15.38
1999-00	1,836,538	1,178,799	657,739	22,629	22,044	44,673	14.72
2000-01	1,893,123	1,464,886	428,237	23,822	20,851	44,673	9.59
2001-02	2,038,336	1,461,306	577,030	25,076	19,597	44,673	12.92
2002-03	2,174,747	1,566,451	608,296	26,397	18,276	44,673	13.62
2003-04	2,804,100	1,816,675	987,425	331,571	22,394	353,965	2.79

Notes:

- (1) Total revenues (including interest) exclusive of gains on sales of capital assets.
- (2) Total operating expenses exclusive of depreciation, interest expenses and losses on sales of capital assets.
- (3) Revenue bond obtained in fiscal year 1993. Rates were increased in fiscal year 1994 to provide revenue bond coverage.
- (4) Revenue bond and tax-exempt interim note obtained in 2004.

COUNTY OF ROCKINGHAM, VIRGINIA

PRINCIPAL TAXPAYERS (1)

Fiscal Year Ended June 30, 2004

Company	Industry	Amount
1. Adolph Coors Co.	Brewery	\$ 2,287,277
2. Merck & Co., Inc.	Chemical	1,378,492
3. Great Eastern Mgmt.	Resort	1,171,935
4. Morningstar Foods	Dairy	772,294
5. R.R. Donnelley & Sons Co.	Printing	667,037
6. Cargill	Poultry Processing	641,644
7. Marshall's	Retail Distributor	567,320
8. Pilgrims Pride	Poultry Processing	533,547
9. Dominion Virginia Power	Public Utility	448,965
10. Perdue, Inc.	Poultry Processing	396,115
Total		\$ 8,864,626

Percent of total General Property Taxes

20.4%

(1) Ranking based on total property taxes paid.

COUNTY OF ROCKINGHAM, VIRGINIA

PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS

Last Ten Calendar Years

Calendar Year	Bank Deposits in Thousands (1) (4)	Building Permits (2) (5)				Assessed Property Value (3)			
		Number of Units	Commercial/Industrial Construction	Number of Units	Residential Construction	Commercial	Residential	Commercial	Nontaxable
1994	\$ 359,363	137	\$ 32,730,053	923	\$ 42,362,006	\$ 749,049,135	\$ 1,634,795,325	\$	271,377,190
1995	359,363	128	28,660,026	955	41,360,460	755,309,630	1,690,762,840		279,938,900
1996	379,699	109	16,974,863	844	42,667,815	973,053,222	1,671,354,236		297,005,870
1997	395,020	154	26,562,932	881	47,444,181	1,106,177,848	1,884,451,178		335,699,185
1998	395,020	126	54,185,758	1,000	60,054,067	1,236,931,709	2,030,118,900		368,772,100
1999	404,935	56	36,057,737	938	60,696,708	1,273,885,100	2,101,026,485		380,554,150
2000	450,864	58	19,598,882	1,228	103,368,578	1,011,393,355	2,166,064,895		393,529,000
2001	482,493	340	26,126,383	1,885	188,872,335	1,059,130,705	2,391,599,440		436,064,450
2002	515,000	96	28,652,732	467	60,697,449	1,136,596,330	2,604,430,300		475,754,100
2003	533,000	124	32,404,656	447	63,822,103	1,180,380,943	2,687,237,120		487,552,950

Notes:

- (1) Source - "Branch Deposits for Financial Institutions" in Virginia produced by Financial Institute Data Exchange.
- (2) Source - County of Rockingham Department of Public Works and Department of Community Development.
- (3) Source - County of Rockingham Commissioner of the Revenue.
- (4) Source - Federal Reserve Bank of Richmond.
- (5) Source - Weldon Cooper Center for Public Service.

COUNTY OF ROCKINGHAM, VIRGINIA

DEMOGRAPHIC STATISTICS

Last Ten Calendar Years

Calendar Year	Population		Per Capita Income	School Enrollment	Unemployment Rate Percentage
	(1)		(2)	(3)	(4)
1994	61,600	\$	17,525	9,984	3.9%
1995	62,600		18,993	10,203	2.8%
1996	63,600		18,327	10,373	2.0%
1997	64,500		19,750	10,479	1.8%
1998	65,000		20,580	10,580	1.0%
1999	64,400		22,072	10,570	0.9%
2000	67,725		23,262	10,693	1.9%
2001	69,000		23,262	10,720	1.9%
2002	69,200		22,945	10,891	2.7%
2003	70,400		23,270	10,781	2.5%

Notes:

- (1) Weldon Cooper Center for Public Service, University of Virginia population estimate for all years.
- (2) Source - Bureau of Economic Analysis.
- (3) Source - County of Rockingham School Division.
- (4) Virginia Employment Commission - Harrisonburg/Rockingham County Branch.

COUNTY OF ROCKINGHAM, VIRGINIA

MISCELLANEOUS STATISTICS

Year Ended June 30, 2004

Form of Government:	Traditional - County Administrator	
Land Area:		853.65 sq. miles
Miles of Roads and Streets:	Interstate	44
	Primary	161
	Secondary	875
Fire Protection:	Number of stations (including substations)	11
	Number of firemen and officers (exclusive of volunteers)	40
Police Protection:	Number of stations	1
	Number of deputies	46
Education:	Number of schools	20
	Number of students	10,781
	Number of full-time instructional personnel	1,287
Water System:	Number of customers	2,599
	Linear feet of water lines	369,583
	Average monthly usage (gallons)	32,469,325
Sewer System:	Number of customers	2,344
	Linear feet of sewer lines	301,007
	Average monthly usage (gallons)	27,089,625
Building Permits:	Total number issued	571
	Value of permits	\$ 96,226,759
Employees:	Number of full-time equivalent positions for the primary government and for the School, School Textbook and School Cafeteria Funds, of the discretely presented component unit - School Board.	2,170



COUNTY OF ROCKINGHAM, VIRGINIA

Page 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF AGRICULTURE:		
<u>Direct payments:</u>		
<u>Department of Agriculture:</u>		
Cooperative Law Enforcement	10.000	\$ 8,067
<u>Pass-through payments:</u>		
<u>Department of Social Services:</u>		
State Administrative Matching Grants for Food Stamp Program	10.561	442,540
<u>Department of Education:</u>		
<u>Child Nutrition Cluster:</u>		
School Breakfast Program	10.553	235,952
National School Lunch Program	10.555	1,386,500
Schools and Roads - Grants to States	10.665	79,155
		<u>1,701,607</u>
Total Department of Agriculture		<u>2,152,214</u>
DEPARTMENT OF TRANSPORTATION:		
<u>Pass-through payments:</u>		
<u>Department of Motor Vehicles:</u>		
State and Community Highway Safety	20.000	10,402
State and Community Highway Safety	20.600	9,704
Occupant Protection	20.602	480
Total Department of Transportation		<u>20,586</u>
SOCIAL SECURITY ADMINISTRATION:		
<u>Direct payments:</u>		
<u>Social Security Administration:</u>		
Reward for Incarceration Notification	96.000	3,000
Total Social Security Administration		<u>3,000</u>

COUNTY OF ROCKINGHAM, VIRGINIA

Page 2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
<u>Pass-through payments:</u>		
<u>Department of Social Services:</u>		
AmeriCorps	94.006	\$ 6,062
Total Corporation for National and Community Service		6,062
DEPARTMENT OF HEALTH AND HUMAN SERVICES:		
<u>Direct payments:</u>		
<u>Department of Social Services:</u>		
General Relief Assistance	93.000	311
<u>Pass-through payments:</u>		
<u>Department of Social Services:</u>		
Promoting Safe and Stable Families	93.556	117,752
Temporary Assistance to Needy Families	93.558	796,223
Refugee and Entrant Assistance - State Administered Programs	93.566	954
Low-Income Home Energy Assistance	93.568	24,234
Child Care Cluster:		
Child Care and Development Block Grant	93.575	404,393
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	304,582
Refugee and Entrant Assistance - Discretionary Grants	93.576	15,967
Adoption Incentive Payments	93.603	2,622
Foster Care - Title IV-E	93.658	1,060,840
Adoption Assistance	93.659	213,658
Social Services Block Grant	93.667	794,452
Chafee Foster Care Independent Living	93.674	11,781
Medical Assistance Program (Medicaid; Title XIX)	93.778	344,957
		4,092,415
Total Department of Health and Human Services		4,092,726

COUNTY OF ROCKINGHAM, VIRGINIA

Page 3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF JUSTICE, OFFICE OF JUSTICE PROGRAMS, BUREAU OF JUSTICE ASSISTANCE:		
<u>Direct payments:</u>		
<u>Justice Management Division:</u>		
Surplus Funds	16.000	\$ 1,149
<u>Department of Criminal Justice:</u>		
Executive Office for Weed and Seed	16.595	134,923
State Criminal Alien Assistance Program	16.606	42,036
Bulletproof Vest Partnership Program	16.607	3,689
Community Prosecution and Project Safe Neighborhoods	16.609	79,437
		<u>260,085</u>
<u>Pass-through payments:</u>		
<u>Department of Criminal Justice Services:</u>		
Violence Against Women Formula Grants	16.588	19,647
Byrne Formula Grant Program	16.579	3,743
Crime Victim Assistance - Discretionary Grants	16.582	60,705
Local Law Enforcement Block Grants Program	16.592	597
		<u>84,692</u>
Total Department of Justice, Office of Justice Programs, Bureau of Justice Assistance		<u>345,926</u>
DEPARTMENT OF DEFENSE:		
<u>Direct payments:</u>		
<u>Bureau of Land Management:</u>		
Payments to States in Lieu of Real Estate Taxes	12.112	192,667
Total Department of Defense		<u>192,667</u>

COUNTY OF ROCKINGHAM, VIRGINIA

Page 4

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF THE INTERIOR:		
<u>Direct payments:</u>		
<u>National Park Service</u>		
American Battlefield Protection	15.926	\$ 30,000
Total Department of the Interior		30,000
DEPARTMENT OF EDUCATION:		
<u>Direct payments:</u>		
Twenty-First Century Community Learning Centers	84.287	563,449
<u>Pass-through payments:</u>		
<u>Department of Education:</u>		
Title I Grants to Local Educational Agencies	84.010	1,273,130
Special Education Cluster:		
Special Education - Grants to States	84.027	1,546,725
Special Education - Preschool Grants	84.173	70,039
Adult Education - State Grant Program	84.002	101,878
Vocational Education - Basic Grants to States	84.048	168,573
Safe and Drug-Free Schools and Communities - State Grants	84.186	53,890
Fund for the Improvement of Education	84.215	52
Eisenhower Professional Development State Grants	84.281	24,235
State Grants for Innovative Programs	84.298	109,702
Education Technology State Grants	84.318	35,988
Advanced Placement Program	84.330	69,385
Reading Excellence	84.338	45,127
English Language Acquisition Grants	84.365	94,673
Improving Teacher Quality State Grants	84.367	523,650
		4,117,047
Total Department of Education		4,680,496

COUNTY OF ROCKINGHAM, VIRGINIA

Page 5

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Federal Grantor/State Pass-Through Grantor/ Program Title	Federal CFDA Number	Expenditures
DEPARTMENT OF HOMELAND SECURITY:		
<u>Pass-through payments:</u>		
<u>Department of Emergency Management:</u>		
State Domestic Preparedness Equipment Support Program	97.004	\$ 162,608
Public Assistance Grants	97.036	10,636
Emergency Management Performance Grants	97.042	4,805
		<u>178,049</u>
Total Department of Homeland Security		<u>178,049</u>
Total Federal Awards Expended		<u><u>\$ 11,701,726</u></u>

COUNTY OF ROCKINGHAM, VIRGINIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Significant Accounting Policies

A. Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County of Rockingham, Virginia, the School Board and Harrisonburg-Rockingham Social Services District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal Financial Assistance – The Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133 define federal financial assistance as grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. Nonmonetary deferral assistance including food commodities is considered federal assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

Direct Payments – Assistance received directly from the Federal government is classified as direct payments on the “Schedule of Expenditures of Federal Awards.”

Pass-through Payments – Assistance received in a pass-through relationship from entities other than the Federal government is classified as pass-through payments on the Schedule of Expenditures of Federal Awards.

Major Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 establish the criteria to be used in defining major programs. Major programs for the County of Rockingham, Virginia were determined using a risk-based approach in accordance with OMB Circular A-133.

Catalog of Federal Domestic Assistance – The Catalog of Federal Domestic Assistance (CFDA) is a government-wide compendium of individual federal programs. Each program included in the catalog is assigned a five-digit program identification number (CFDA Number), which is reflected in the accompanying schedule.

Cluster of Programs – Closely related programs that share common compliance requirements are grouped into clusters of programs. A cluster of programs is considered as one federal program for determining major programs. The following are the clusters administered by the County of Rockingham, Virginia: Child Nutrition, Special Education and Child Care.

COUNTY OF ROCKINGHAM, VIRGINIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Significant Accounting Policies (Continued)

B. Non-Cash Assistance

The County of Rockingham, Virginia participated in a federal program in which non-cash benefits are provided through the state to eligible program participants.

Food Distribution Program (CFDA Number 10.555) – The value of food commodities was calculated using the U.S. Department of Agriculture's Food and Nutrition Service commodity price lists. The accompanying schedule includes commodity distributions of \$263,147 for CFDA Number 10.555.





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**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Members of the Board of Supervisors
County of Rockingham, Virginia

We have audited the basic financial statements of the County of Rockingham, Virginia, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 22, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Compliance

As part of obtaining reasonable assurance about whether the County of Rockingham, Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. We also performed tests of compliance with the following program specific requirements as set forth in the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia: the Virginia Department of Education's requirements and the Virginia Department of Social Service's requirements, including the requirements for the Comprehensive Services Act. However, providing an opinion on compliance with those provisions and specifications was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Rockingham, Virginia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Supervisors, management, the Auditor of Public Accounts, and other Federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, WLP

Harrisonburg, Virginia
September 22, 2004



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Members of the Board of Supervisors
County of Rockingham, Virginia

Compliance

We have audited the compliance of the County of Rockingham, Virginia, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, that are applicable to each of its major Federal programs for the year ended June 30, 2004. The County of Rockingham's major Federal programs are identified in the Summary of Independent Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the County of Rockingham's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards, specifications, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County of Rockingham, Virginia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the County of Rockingham is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *Specifications for Audits of Counties, Cities and Towns*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Supervisors, management, the Auditor of Public Accounts and other Federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

PBGH, LLP

Harrisonburg, Virginia
September 22, 2004

COUNTY OF ROCKINGHAM, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

I SUMMARY OF INDEPENDENT AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified	_____ Yes	<u>✓</u> _____ No
Reportable conditions identified that are not considered to be material weaknesses	_____ Yes	<u>✓</u> _____ None Reported
Noncompliance material to financial statements noted	_____ Yes	<u>✓</u> _____ No

Federal awards

Internal control over major programs:

Material weaknesses identified	_____ Yes	<u>✓</u> _____ No
Reportable conditions identified that are not considered to be material weaknesses	_____ Yes	<u>✓</u> _____ None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ Yes	<u>✓</u> _____ No
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COUNTY OF ROCKINGHAM, VIRGINIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.010	Title I Grants to Local Education Agencies
84.367	Improving Teacher Quality State Grants
93.667	Social Services Block Grant
93.558	Temporary Assistance to Needy Families

Food Stamp Cluster:

10.561 State Administrative Matching Grants for Food Stamp Program

Dollar threshold used to distinguish between type A and type B programs \$ 351,052

Auditee qualified as low-risk auditee? √ Yes No

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Reportable Conditions in Internal Control

None Reported

B. Compliance Findings

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

COUNTY OF ROCKINGHAM, VIRGINIA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2004

The prior year single audit disclosed no findings in the Schedule of Findings and Questioned Costs and no uncorrected or unresolved findings exist from prior audit's Summary Schedule of Prior Audit Findings.

